# Financial Summary and Budgetary Review 1985-86

Alberta
TREASURY

# Contents

Alberta
TREASURY

The Honourable
Dick Johnston
Provincial Treasurer

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Deputy Provincial Treasurer
Management and Control


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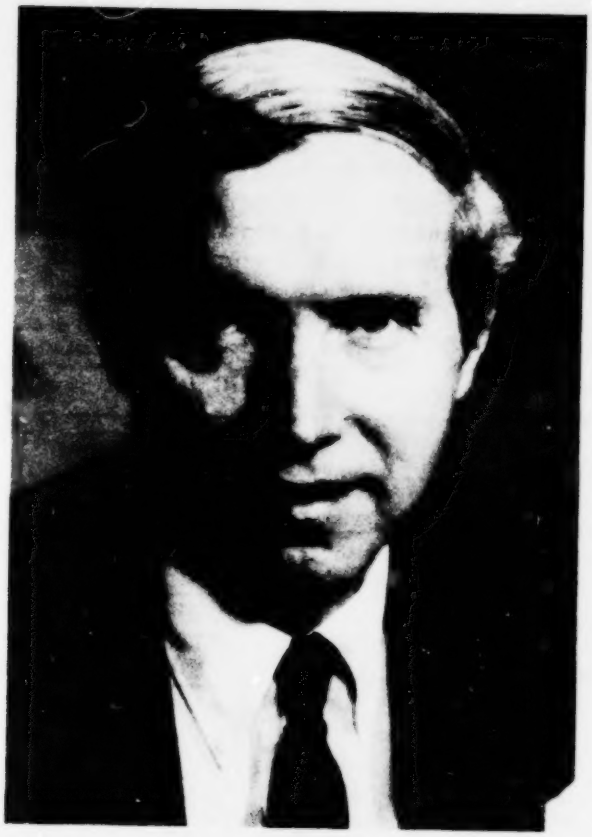
# Provincial Treasurer's Report



This "Financial Summary and Budgetary Review" for the Government of Alberta covers the period April 1, 1985 to March 31, 1986. The purpose of the report is to review the state of the economy and the government's finances. Readers who require further details are encouraged to refer to the provincial Public Accounts.

In 1985 Alberta's economy was marked by strong economic growth in all sectors but agriculture. Leading the recovery was the oil and gas sector which benefitted from improved cash flow and restored investor confidence. The start of the slide in world oil prices was too late in the year to affect economic performance. Overall, the economy grew by 5% in real terms compared to an increase of less than 2% in 1984.

The key thrusts of the 1985 Budget tabled by then Treasurer, the Honourable Lou Hyndman, were to maintain jobs and the momentum of economic recovery by building on economic strengths. During the year, the government introduced major fiscal initiatives which were in keeping with the budget strategy.

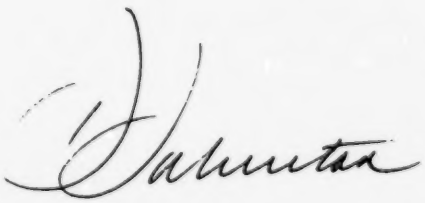
In June, 1985 a major royalty reduction and incentive package was announced to stimulate activity levels. The changes were to ensure that benefits from deregulation of crude oil pricing flowed through to the industry and that incentive programs suited the changed industry circumstances. These changes enhanced the cash flow of companies with existing production and improved the economics of new developments.

In the fall, a massive agriculture action plan designed to provide immediate support for farmers and livestock producers was announced. It focused on two key areas: income maintenance through a strong safety net of stabilization and insurance initiatives and reduced input costs for farming and ranching.

Budgetary expenditure in 1985-86 increased by nearly 14%. Spending by the department of Agriculture more than doubled and the Manpower department's expenditure rose by nearly 50%. However, there was a reduction for the third year in a row of permanent, full-time public service positions in keeping with the objective to streamline government.

While expenditure grew rapidly, budgetary revenue declined by 2.5% in 1985-86 largely due to lower resource revenue. This resulted in a budgetary deficit of $458 million compared to a 1984-85 surplus of $1,043 million.

Despite oil price increases, net non-renewable resource revenue was actually lower in 1985-86 than it was in 1980-81 because of policy changes to provide new incentives to the oil and gas industry and a shift away from production of conventional old oil which is subject to higher royalty rates. Over this period, expenditure growth significantly exceeded revenue growth despite the personal income tax increase in 1984. The fall in world oil prices highlights the need to reverse the trend.



# Highlights

**Budgetary Performance**

- A budgetary deficit of $458 million was recorded in 1985-86, an increase of $263 million over the projected budgetary deficit of $195 million and a turnaround from the $1,043 million surplus recorded in 1984-85.
- Net assets of the General Revenue Fund totalled $807 million at March 31, 1986.
- Total budgetary revenue in 1985-86 totalled $9,873 million, almost equal to the budget estimate of $9,869 million.
- Budgetary revenue fell 2.5% or $249 million below 1984-85 levels.
- Heritage Fund investment income transferred for budgetary purposes amounted to $1,667 million in 1985-86 and represented 17% of budgetary revenue.
- Total budgetary expenditure in 1985-86 totalled $10,331 million, 2.7% above the budget estimate and 14% above 1984-85 levels.
- Operating expenditure increased 15% over the previous year to $8,714 million. Capital expenditure and grants for capital purposes amounted to $1,617 million, up 5.6% from 1984-85.

**SUMMARY BUDGETARY PLAN**
**(millions of dollars)**

| | 1985-86 Actual | 1985-86 Estimate | 1984-85 Actual |
|---|---|---|---|
| Budgetary Revenue | | | |
| General Revenue | 8,206 | 8,175 | 8,547 |
| Heritage Fund Investment Income | 1,667 | 1,694 | 1,575 |
| | 9,873 | 9,869 | 10,122 |
| Budgetary Expenditure | | | |
| Operating | 8,714 | 8,373 | 7,548 |
| Capital | 1,617 | 1,691 | 1,531 |
| | 10,331 | 10,064 | 9,079 |
| Budgetary Deficit (Surplus) | 458 | 195 | (1,043) |
| Net Assets at year-end | 807 | 1,070 | 1,265 |

**Consolidated Financial Position**

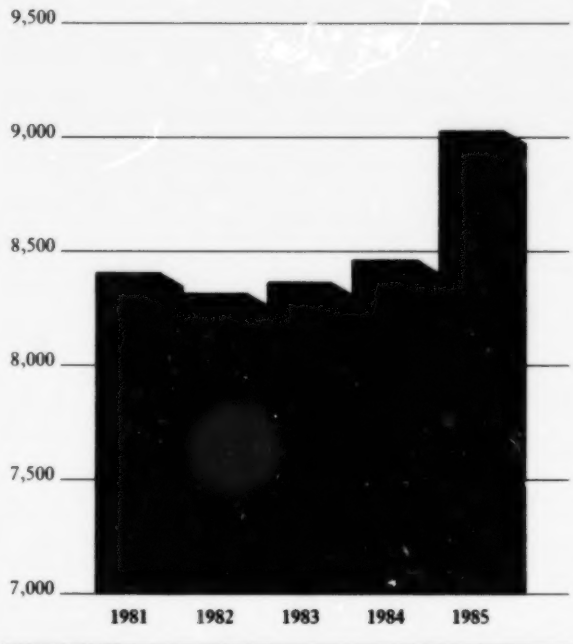
- A consolidated deficit of $41 million was recorded in 1985-86, a reversal from the 1984-85 surplus of $1,246 million.
- At March 31, 1986, consolidated net assets amounted to $12,593 million, down 0.3% from the previous year.
- Consolidated revenue reached $12,757 million in 1985-86, a decrease of less than 1% from the previous year.
- Consolidated expenditure amounted to $12,798 million, up 11% from the previous year.

# Economic Year in Review

During 1985, Alberta's economy experienced a broadly based recovery led by strong growth in consumer and investment expenditure. Real consumer expenditure (Chart 1) significantly exceeded the pre-recession high set in 1981. Retail sales grew by over 14%, with expenditure on durables especially strong. Per capita personal income in Alberta continued to exceed the Canadian average and was second only to that in Ontario.

CHART 1

**Consumer Expenditure**
(millions of 1971 dollars)



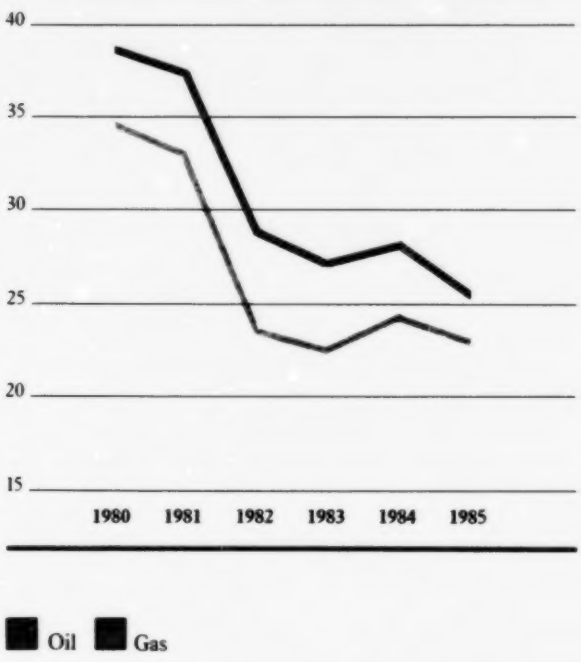

Total real investment grew by over 5%, with private investment expenditure accounting for almost 18% of Alberta's Gross Domestic Product in 1985. This good performance was the product of a number of factors: the overbuilding of the late 1970's and early 1980's had been largely absorbed, lower interest rates encouraged investment in Alberta's capital intensive economy and, most important, energy investment responded to an improved pricing and taxation regime. Most of the increased investment activity can be attributed to a 30% surge in oil and gas well drilling.

**The Energy Sector**

The signing of the Western Accord early in the year deregulated crude oil prices effective June 1, 1985 and set a timetable for reducing National Energy Program taxes. This, together with substantial royalty reductions, new provincial drilling incentives and the agreement partially deregulating export gas prices greatly improved industry confidence. Chart 2 shows the substantial decline in oil and gas net royalty rates since 1980. According to the Petroleum Monitoring Agency Survey, internal cash flow from production increased 13% from 1984 to $9.5 billion. The improved financial condition and regulatory environment strongly stimulated drilling activity (Chart 3). A total of 7,558 wells were drilled in 1985, a new Alberta record.

CHART 2

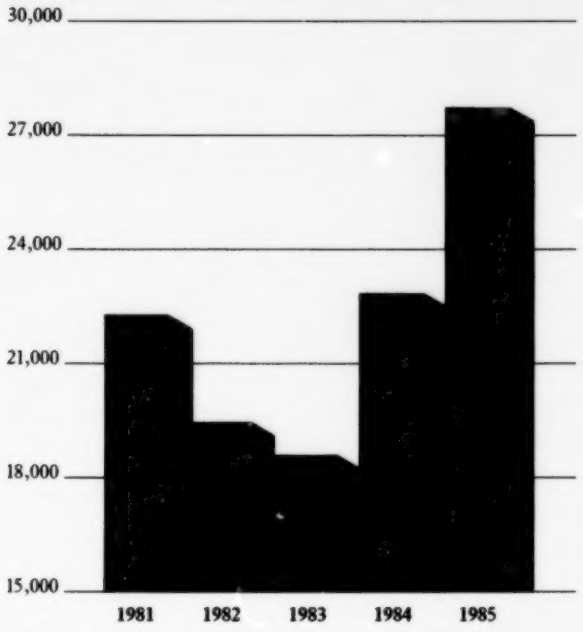
**Average Net Crown Royalty Rates***
(per cent)




*Net of royalty holidays, relief and rebates, gas cost allowance, low productivity well allowance and royalty tax credit.

CHART 3

**Total Footage Drilled, Alberta**
(thousands of feet)




Production of crude oil and equivalent reached 1.3 million barrels per day in 1985, a slight increase from the 1984 level. Synthetic crude production increased to 168,000 barrels per day. This was an increase of more than 25% over 1984 when there was a major fire at the Syncrude plant. Bitumen production rose by almost 53% to 52,000 barrels per day as new in-situ projects came on stream. Given limited pipeline capacity, some conventional production had to be shut in to permit this rapid expansion of non-conventional production. Conventional crude production fell by about 5% to 983,000 barrels per day, but would have remained fairly constant in the absence of pipeline problems.

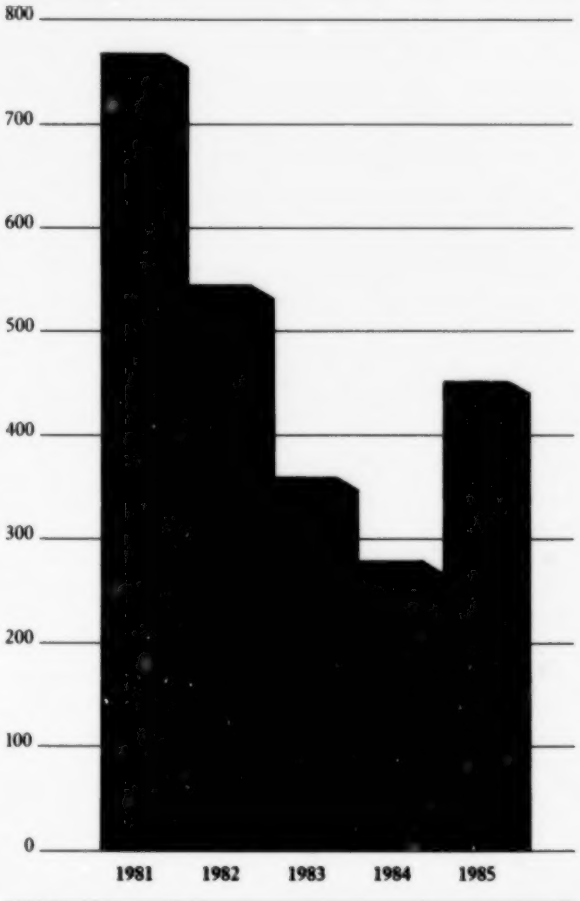
Natural gas sales increased by about 10% in 1985 with export sales being the chief source of growth. The transition to market pricing for exports announced October 31 helped Alberta gas to remain competitive in the U.S. market.

**Agriculture**

Grain production fell in 1985 as a result of dry early season conditions, grasshopper infestation and heavy rains at harvest time. Wheat was the most seriously affected crop. Poor yields, poor crop quality and poor prices resulted in a 30% decline in wheat cash receipts to about $700 million. Canola receipts fell by almost 15% from the record high 1984 level primarily because of lower prices. Barley receipts fell by about 11% from an already depressed 1984 level. The absence of a sugar beet crop reduced receipts from non-grain crops. Total crop receipts, including crop insurance and grain stabilization payments, were down by about 6% to under $2 billion. Livestock receipts increased marginally in 1985 due, in part, to some reduction in the beef cattle breeding herd. Low feed grain prices toward the end of the year eased the cost squeeze on livestock producers.

CHART 4

**Net Farm Income**
(millions of dollars)



In total, farm cash receipts fell by about $100 million to under $3.9 billion despite close to $420 million in Western Grain Stabilization and Crop Insurance payments and continued inventory liquidation. Operating expenses also fell slightly, primarily as a result of large input cost subsidies provided by the Alberta Government. This, together with the slower rate of inventory liquidation, led to a partial recovery in net farm income (Chart 4).

### Manufacturing

Alberta's manufacturing and processing industries contributed substantially to the overall economic expansion in 1985, with shipments up over 8%. The value of shipments in the petroleum and coal products industry showed particular strength, surging 19% to $4.6 billion. This increase resulted largely from the first complete production year for the Shell Scotford refinery, combined with growing exports and increased western Canadian demand.

The value of shipments in the food and beverage industries remained over $3.4 billion in 1985 despite problems in the meat processing area. Shipments of chemical products grew to over $2 billion. The primary metal, metal fabricating and machinery industries were favourably affected by the upturn in oil and gas investment in 1985 and shipments reached a total of almost $1.9 billion.

### Labour Market

In 1985, Alberta's labour market conditions improved considerably. After falling each year since 1981, employment grew by close to 1%. The labour force fell slightly due to a small decline in labour force participation together with some net out-migration. This combination resulted in a sharp fall in Alberta's unemployment rate from an average of 11.2% in 1984 to 10.1% in 1985. The seasonally adjusted unemployment rate ended the year at 9.4%, compared to the Canadian average rate of 10%.

Average wages and salaries grew by less than the inflation rate in 1985, increasing the competitiveness of Alberta products. The continuing slow rate of increase of consumer prices in Alberta, 3% in 1985 compared to 4% for Canada as a whole, also made the province more competitive.

## ALBERTA ECONOMIC INDICATORS

| | 1984 | 1985 | Percentage Change |
|---|---|---|---|
| **GROSS DOMESTIC PRODUCT AND INCOME** | | | |
| Real Gross Domestic Product ($ 1971 millions) | 13,775 | 14,440 | 4.8 |
| Nominal Gross Domestic Product ($ millions) | 57,753 | 62,009 | 7.4 |
| Investment ($ millions) | 12,118 | 13,061 | 7.8 |
| Wages and Salaries ($ millions) | 22,946 | 24,809 | 8.1 |
| Personal Income ($ millions) | 36,080 | 38,762 | 7.4 |
| Net Exports ($ millions) | 10,276 | 10,077 | −1.2 |
| **WAGES AND PRICES** | | | |
| Average Weekly Earnings ($) | 439.27 | 445.34 | 1.4 |
| Consumer Price Index (percentage change) | 2.6 | 3.0 | — |
| **LABOUR MARKET** | | | |
| Population (thousands) | 2,350 | 2,357 | 0.3 |
| Labour Force (thousands) | 1,254 | 1,249 | −0.4 |
| Participation Rate (per cent) | 72.1 | 71.9 | — |
| Employment (thousands) | 1,114 | 1,123 | 0.8 |
| Unemployment Rate (per cent) | 11.2 | 10.1 | — |
| Net Migration (thousands) | −32.2 | −8.4 | −73.9 |
| **SECTORAL INDICATORS** | | | |
| Total Farm Cash Receipts ($ millions) | 3,954 | 3,851 | −2.6 |
| Value of Fuel and Mineral Production ($ millions) | 26,429 | 27,346 | 3.5 |
| Manufacturing Shipments ($ millions) | 14,823 | 16,141 | 8.9 |
| Retail Sales ($ millions) | 11,833 | 13,524 | 14.3 |
| Housing Starts | 7,295 | 8,337 | 14.3 |

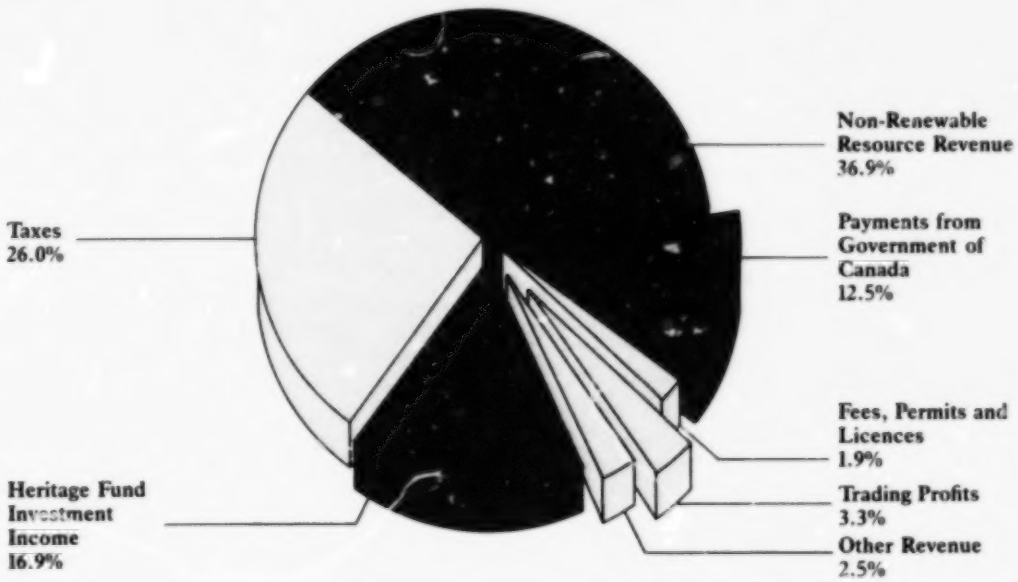
# Budgetary Revenue

Total budgetary revenue amounted to $9,873 million, $4 million higher than the budget estimate. As expected, 1985-86 budgetary revenue was 2.5% below the 1984-85 level largely due to lower resource revenue.

Chart 5 shows the breakdown of budgetary revenue by major source for 1985-86. Non-renewable resource revenue continued to be Alberta's chief revenue source comprising 37% of budgetary revenue. Total tax revenue accounted for 26% and was the next largest revenue source. The third largest, Heritage Fund investment income accounted for 17%. Transfers from the Government of Canada accounted for 12% of budgetary revenue.

CHART 5

BUDGETARY REVENUE
BY MAJOR SOURCE
1985-86


Non-Renewable Resource Revenue 36.9%
Payments from Government of Canada 12.5%
Fees, Permits and Licences 1.9%
Trading Profits 3.3%
Other Revenue 2.5%
Heritage Fund Investment Income 16.9%
Taxes 26.0%

**Total Budgetary Revenue**
**$9,873 million**

## Taxes

Total tax revenue amounted to $2,573 million in 1985-86, 4.1% below the budget estimate and up only marginally from the 1984-85 total of $2,553 million.

Corporate income tax revenue fell short of the budget estimate by $109 million, accounting for the variance between actual total tax revenue and the budget estimate. A major contributing factor was the emergence of "carve-out" transactions in the oil and gas industry. These transactions were characterized by the short-term temporary "sale" of income producing properties for the purpose of minimizing tax payable. New agreements of this type are no longer accepted for the purposes of calculating tax.

The manufacturing and processing rate reduction (effective April, 1985) and the decision to parallel federal tax simplification measures for small business contributed to a 6.7% decline in corporate income tax revenue from the 1984-85 level. Carve-out transactions also contributed to the year-over-year decrease.

**Non-Renewable Resource Revenue**

Net non-renewable resource revenue amounted to $3,644 million in 1985-86, 1.6% below the budget estimate. This represented a 7.6% decline from 1984-85.

Crude oil royalty revenue amounted $2,534 million, 5.8% below the budget estimate and 13% below the previous year. The year-over-year decline was due to a decline in world oil prices late in the year, increased shut-in production, increased take-up of royalty relief on enhanced oil recovery projects and the June 1985 energy package.

Natural gas and by-product royalties totalled $1,806 million, 4.5% below the budget estimate and 7.0% below the previous year. The decrease from 1984-85 was due to such factors as lower prices in both the domestic and export gas markets and the royalty phase-down effective August, 1985.

Synthetic crude oil royalty revenue amounted to $221 million, 48% above the budget estimate and 64% above the previous year when Syncrude experienced a prolonged shutdown due to fire. The unexpected increase above the budget estimate was due in part to a decline in capital expenditures.

Revenue from bonuses and sales of Crown leases totalled $724 million, over 9% above the budget estimate and the 1984-85 level. The increase was due largely to the optimism surrounding the deregulation of the oil market and Alberta's June 1985 energy initiatives.

Reductions from resource revenue in the form of payments for the Exploratory Drilling and Geophysical Incentive Systems, the Alberta Petroleum Incentives Program and the royalty tax credit totalled $946 million in 1985-86, down 4.5% from the budget estimate and 1.6% from the previous year. The latter two programs actually showed year-over-year increases. But the exploratory drilling and geophysical incentive credits were down substantially as they were replaced by a new royalty holiday program included in the June 1985 energy measures.

**Payments from Government of Canada**

Total federal transfer payments in 1985-86 amounted to $1,232 million, up 12% over the budget estimate. This was a decline of 3.7% from 1984-85 levels.

A main reason for both variances was the oil export charge which was eliminated in June, 1985 with deregulation of the oil market under the Western Accord.

Cash payments under the Established Programs Financing Act for hospital insurance, post-secondary education and extended health care totalled $667 million, up 2.6% from last year.

Canada Assistance Plan payments totalled $380 million, an increase of 11% over 1984-85.

**Heritage Fund Investment Income**

The transfer of Heritage Fund investment income to the General Revenue Fund contributed $1,667 million for budgetary purposes. This was 1.6% below the budget estimate but 5.8% above the 1984-85 level. The increase related to the profit of $104 million on the sale of Alberta Energy Company shares.

**Other Revenue Sources**

Fees, permits and licenses totalled $186 million, down 8.8% from last year. The decrease was due mostly to lower motor vehicle license revenue after the one-time "bump" in 1984-85 caused by the implementation of the staggered renewal system. Trading profits, virtually all of which are liquor board remittances, were up 6.8% to $324 million. Other revenue at $248 million was down 6.6% due to lower investment income.

# Budgetary Expenditure

Total budgetary expenditure was $10,331 million, 14% higher than the previous year's level. While most areas experienced funding increases, there was particular emphasis on agriculture and employment programs in 1985-86.

Actual spending was 2.7% higher than the budget estimate. Actual voted expenditure was 0.6% higher than the budget estimate but 4.3% below total voted authorizations after the inclusion of $511 million in special warrants.

Grants for operating and capital purposes from the provincial government to individuals, businesses, school boards, colleges, universities, municipalities and other government agencies represented 69% of budgetary expenditure and amounted to $7,087 million (Chart 6). It is estimated that about 40% of total grant expenditure is related to manpower costs. This is equivalent to 28% of total budgetary expenditure. Manpower costs associated with government departments represented an additional 11% of total budgetary expenditure.

CHART 6

BUDGETARY EXPENDITURE BY OBJECT
1985-86

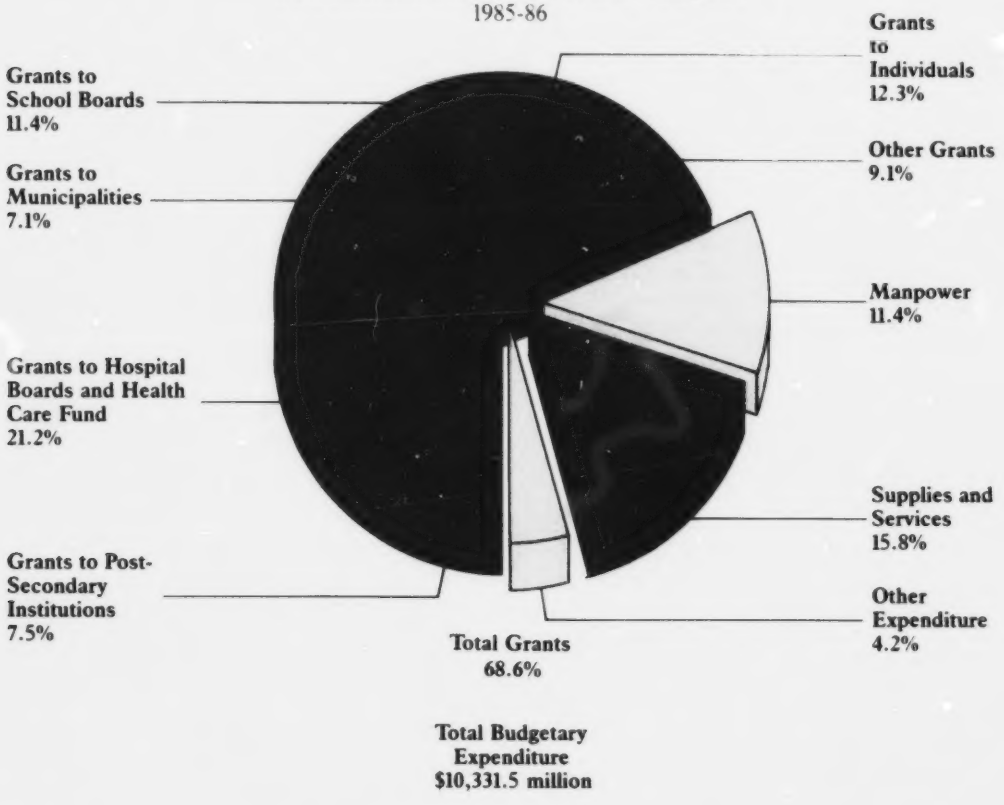
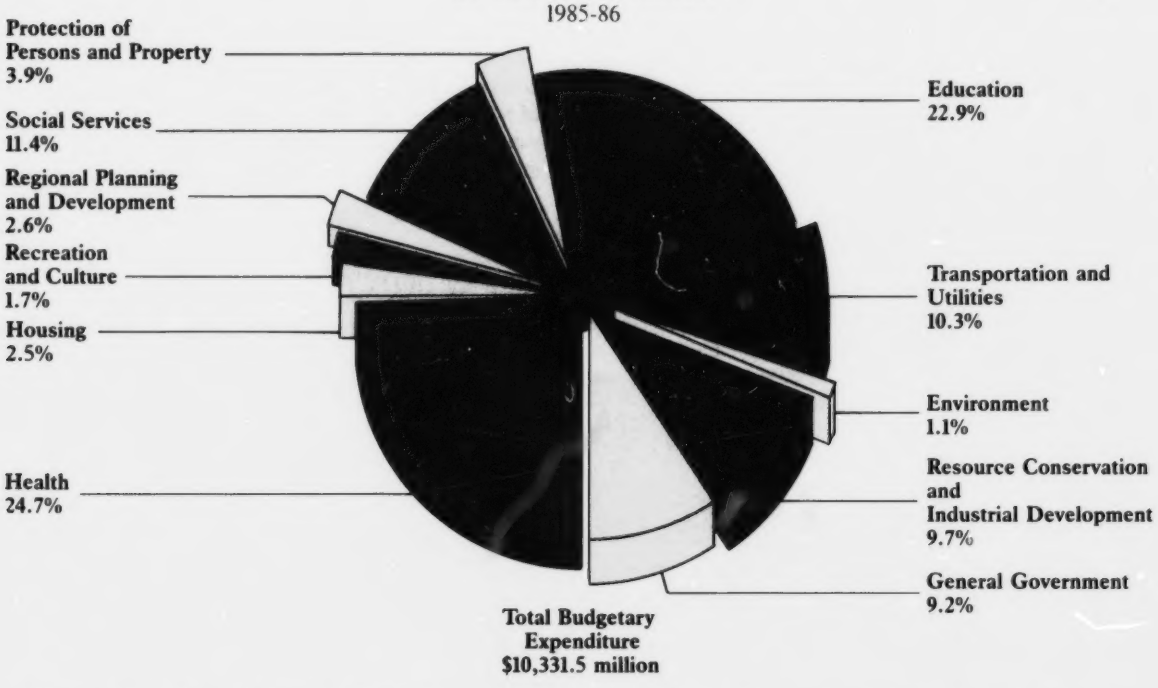

Grants to School Boards 11.4%
Grants to Municipalities 7.1%
Grants to Hospital Boards and Health Care Fund 21.2%
Grants to Post-Secondary Institutions 7.5%
Grants to Individuals 12.3%
Other Grants 9.1%
Manpower 11.4%
Supplies and Services 15.8%
Other Expenditure 4.2%
Total Grants 68.6%
Total Budgetary Expenditure $10,331.5 million

CHART 7

BUDGETARY EXPENDITURE
BY MAJOR FUNCTION
1985-86




Health was again the largest functional area of spending. It accounted for 25% of total budgetary expenditure in 1985-86 (Chart 7). Next was education which represented 23%. When taken together, nearly one-half of the provincial budget was accounted for by these two areas. Social services spending was the third largest area of expenditure at 12%.

### Health

Health expenditure was $2,550 million, an increase of 10% over 1984-85. Health expenditure includes support for active treatment and auxiliary hospitals, nursing homes, health care insurance, and local and community health services.

Operation of health care facilities and medical services amounted to $2,045 million, or 80% of health expenditure.

The deficit grant to the Health Care Insurance Fund amounted to $426 million, an increase of 20% over the previous year. There was no increase in health care premiums in 1985-86.

Capital support for health care amounted to $258 million compared to $237 million in 1984-85.

### Education

Total Education expenditure amounted to $2,370 million, an increase of 7.6% over 1984-85. Education expenditure includes support for basic education, post-secondary education and manpower training.

Expenditure on manpower development and training assistance, and special employment programs amounted to $205 million, up by 49%. The increase reflected the first full year of the multi-year Special Employment Initiatives Package announced in October, 1984.

Funding for basic education amounted to $1,233 million, or 52% of education expenditure. This was an increase of 7% over the previous year.

Operating grants to post-secondary institutions amounted to $631 million, up by 4.8% over the previous year. Financing assistance to students was $86 million, an increase of 9.7%.

**Social Services**

Social Services expenditure amounted to $1,180 million, an increase of 12% over the previous year. The major expenditure area in this category includes social allowance programs which provide social aid to families and individuals in need. Social allowance expenditure amounted to $458 million, an increase of 18% over 1984-85.

Benefits and income support programs provide assistance to senior citizens, severely handicapped individuals, widows and widowers and subsidies for day care services. Expenditure in the area amounted to $203 million, representing an increase of 13% over the previous year.

Child Welfare Services programs provide suitable environments for children committed to the Crown. This expenditure amounted to $121 million, an increase of 6% over the previous year.

Other Social Services expenditure amounted to $398 million and included expenditure on vocational rehabilitation services, services for the handicapped, and community and specialized social services.

**Resource Conservation and Industrial Development**

Total expenditure in this category amounted to $1,001 million, an increase of 54% over the previous year mainly because of a major increase in spending on agriculture including drought and supplemental livestock assistance, feed grain market adjustment, red meat stabilization and the farm fuel subsidy.

The major objectives in this functional category are to expand the processing of natural resources; to manage the development of mineral resources; to provide assistance to agricultural production and marketing; to plan, promote and develop the travel industry; and to encourage foreign trade and investment.

**Transportation and Utilities**

Transportation and Utilities expenditure totalled $1,069 million, an increase of 13% over the previous year.

The major services provided are the construction and maintenance of the road system and airport facilities; technical and financial assistance to urban municipalities regarding roadways; the development of gas and electric utilities; and support for water and sewer projects.

**Other Expenditure Areas**

Of the remaining expenditure categories, spending on the Environment increased by 21% to $114 million. The reason for the large increase was a retroactive reimbursement of the Capital Projects Division (Heritage Fund) in relation to the Oldman River Dam. General government spending at $617 million increased by 11% and expenditure on the Protection of Persons and Property increased by 6.3% to $407 million. Spending on Housing ($263 million), Regional Planning and Development ($270 million) and Recreation and Culture ($172 million) all declined from the previous year.

In 1985-86 valuation adjustments totalled $283 million compared to the budget estimate of $14 million and the previous year's level of $19 million. Valuation adjustments consist of write-downs and write-offs of investments, provisions for doubtful accounts and loans and adjustments for exchange on debt payable in United States funds.

Debt servicing costs declined to $36 million, about one-third the previous year's total.

# Regulated Funds

Regulated funds are comprised of public money that is not part of the General Revenue Fund or public money that has been paid out of the General Revenue Fund into a designated fund by authority of an Act of the Legislature or a supply vote.

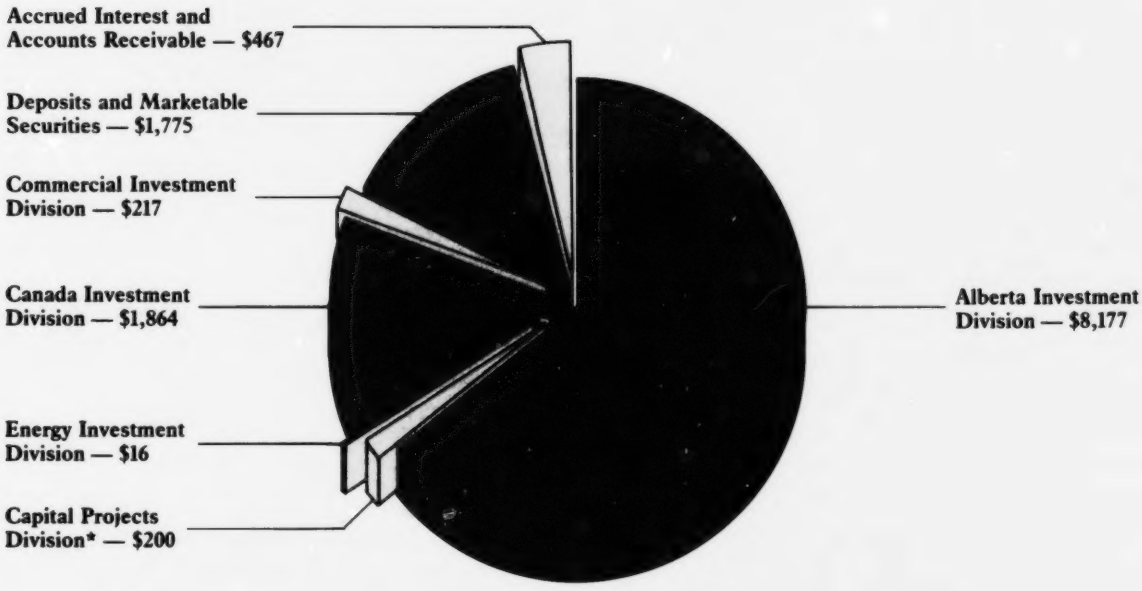
**The Alberta Heritage Savings Trust Fund**

Established in 1976 by an Act of the Alberta Legislature, the Alberta Heritage Savings Trust Fund is the largest and most important of the regulated funds. In deciding to save a portion of non-renewable resource revenues in a Heritage Fund, the Legislature recognized that Alberta's conventional oil and gas resources will be depleted over time and that the revenues they generate can fluctuate with factors beyond the province's control, such as international oil and gas prices. The savings in the Heritage Fund provide Alberta with another source of revenue when needed. The Heritage Fund is therefore a key tool in the province's financial management strategy.

From 1976-77 to 1982-83, the Heritage Fund received 30% of the province's non-renewable resource revenue. In 1983-84, the transfer of resource revenue to the Heritage Fund was reduced to 15% as a response to budgetary requirements. The 15% transfer in 1985-86 amounted to $685 million. At March 31, 1986, the financial assets of the Heritage Fund totalled $12,716 million.

CHART 8

ALBERTA HERITAGE SAVINGS TRUST FUND
COMPOSITION OF FINANCIAL ASSETS AT MARCH 31, 1986
(millions of dollars)

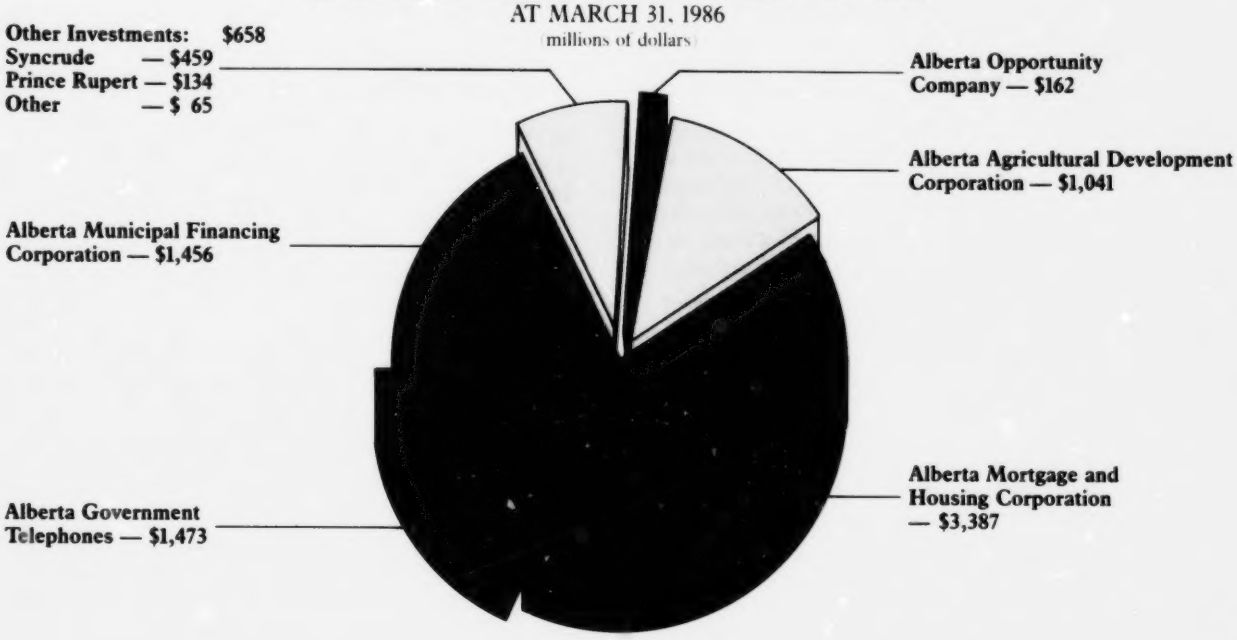

Accrued Interest and Accounts Receivable — $467
Deposits and Marketable Securities — $1,775
Commercial Investment Division — $217
Canada Investment Division — $1,864
Energy Investment Division — $16
Capital Projects Division* — $200
Alberta Investment Division — $8,177

**Total Financial Assets — $12,716**

***Total investment under the Capital Projects Division amounts to $2,602 million, of which $2,402 million are deemed assets.**

CHART 9

ALBERTA HERITAGE SAVINGS TRUST FUND
COMPOSITION OF ALBERTA INVESTMENT DIVISION
AT MARCH 31, 1986
(millions of dollars)


Other Investments: $658
Syncrude — $459
Prince Rupert — $134
Other — $ 65
Alberta Opportunity Company — $162
Alberta Agricultural Development Corporation — $1,041
Alberta Municipal Financing Corporation — $1,456
Alberta Mortgage and Housing Corporation — $3,387
Alberta Government Telephones — $1,473

**Total Assets — $8,177**

Since September, 1982, all the investment income of the Heritage Fund has been transferred to the General Revenue Fund to help meet the costs of government services such as health care, education and transportation. In 1985-86, Heritage Fund income contributed $1,667 million to budgetary revenues.

During the year, $357 million in new investments were made under the Alberta Investment Division. Investments under this Division serve to strengthen or diversify the Alberta economy and provide a reasonable financial return to the Fund. In 1985-86, the Heritage Fund provided financing totalling $328 million to provincial corporations for purposes such as lending programs for small businesses, farms and agribusinesses, mortgage financing for low to middle income Albertans, and the construction of senior citizen housing. In addition, the Heritage Fund, through this Division, invested $20 million (net) in the Syncrude Project.

The Heritage Fund's orderly program of investment in Canadian equities and convertible bonds through the Commercial Investment Division continued in 1985-86. Since December, 1984, the original $200 million limit on the Division has been permitted to increase by the amount of net investment income earned by the Division. At March 31, 1986, the Commercial Investment Division had total investments (at cost) of $217 million with a market value of $375 million. The Division's equity portfolio is diversified, and holdings are limited to no more than 5% of the shares outstanding of any one company.

In 1985-86, investments totalling $240 million were made under the Capital Projects Division bringing total deemed assets at March 31, 1986 to $2,402 million. Investments made through this Division provide long term economic or social benefits to the people of Alberta. By their nature, they do not necessarily yield a return to the Heritage Fund. Funds for these investments are voted annually by the Legislative Assembly.

Seventeen ongoing projects received $238 million (net) in support. These included urban parks in a number of centres, specialized health care facilities, major irrigation works, and research into oil sands and enhanced oil recovery methods. During the year, $2 million was expended on one new project, the

Microchip Design and Fabrication facilities. Through small scale design and fabrication of microchips the facilities, located in Edmonton and Calgary, will provide research and development expertise to universities and industries in Alberta. These facilities are essential components for a microelectronics industry in the province.

**The Alberta Heritage Foundation for Medical Research Endowment Fund**

The Alberta Heritage Foundation for Medical Research Endowment Fund was established in 1979-80 with a contribution of $300 million from the Capital Projects Division of the Alberta Heritage Savings Trust Fund. The Provincial Treasurer administers the Fund, while a separate body, the Alberta Heritage Foundation for Medical Research, determines the research to be supported.

In 1985-86, the investment earnings from the Endowment Fund amounted to $51 million, of which $45 million was transferred to the Foundation for research programs. The Fund's assets at March 31, 1986, amounted to $439 million.

**The Alberta Heritage Scholarship Fund**

The Alberta Heritage Scholarship Fund was established in 1981-82 with an endowment of $100 million from the Capital Projects Division of the Heritage Fund. The Fund is administered by the Provincial Treasurer and the scholarships it supports are awarded through the Students Finance Board.

In 1985-86, the Scholarship Fund earned net income of $17 million. During the year, over $8 million was awarded to Alberta students under ten scholarship programs. At March 31, 1986, the assets of the Fund totalled $139 million.

**Alberta Provincial Corporation Loan Fund**

The Alberta Provincial Corporation Loan Fund was established in 1983. The Fund allows the province to borrow in capital markets and relend the proceeds, on a matched basis, to provincial corporations. At March 31, 1986, the Fund's assets totalled $37 million and consisted of short term debt obligations of Alberta Mortgage and Housing Corporation.

**The Pension Fund**

The Pension Fund was established in 1981 by a transfer of $1,100 million from the General Revenue Fund. The Fund will help meet the costs of pension benefits being earned by employees of the province, local authorities and Alberta's universities whose pensions are administered and guaranteed by the province.

In 1985-86, the contributions made by employers and employees exceeded the benefits paid by $134 million. In addition, the Fund earned $313 million in income, resulting in a net increase in fund equity of $447 million. At March 31, 1986, the Pension Fund had assets of $3,023 million comprising a diversified portfolio of government and corporate bonds, money market securities, mortgages and equities.

**Other Regulated Funds**

The Health Care Insurance Fund made payments for basic and extended health services in the province amounting to $753 million in 1985-86. Of this, $426 million was provided by the province, $205 million by premium payments, $116 million by contributions from the Government of Canada and $6 million by interest income.

Incentives are provided through the Alberta Petroleum Incentives Program Fund to eligible companies, individuals, partnerships and trusts which are Canadian controlled and have a Canadian ownership rate of at least 50%, to encourage them to explore for and develop oil and natural gas in Alberta. This program is financed by annual transfers of non-renewable resource revenue from general revenues. The Program made grants totalling $489 million in 1985-86.

Another important regulated fund is the Utility Companies Income Tax Rebates Fund which rebates 95% of federal and 100% of provincial income taxes paid by privately owned electric utilities in the province. The utility companies in turn pass the savings along to consumers. In 1985-86, $295 million was returned to consumers in this way.

A number of additional regulated funds, which are reported on in Section 4 of Volume I of the Public Accounts, provide a variety of services which complement the programs of government departments.

# Provincial Corporations

A provincial corporation is one which is either wholly-owned by the government or has the majority of directors appointed by the government. Provincial corporations deliver a range of government programs and initiatives. In most cases, the provincial corporations described in this section are supported financially by the General Revenue Fund.

**Alberta Agricultural Development Corporation**

The Alberta Agricultural Development Corporation's loan and loan guarantee programs for farmers and agribusinesses supplement financing available from conventional lenders and other government lenders. A number of programs offer interest rebates to qualifying farmers. In 1985-86, the Corporation made 802 loan commitments totalling $89 million under its Beginning Farmer Program and $2 million in loans to assist more established farms. The Corporation also provided $126 million in loan guarantees to more established farms and agribusinesses.

To finance its lending operations, the Alberta Agricultural Development Corporation borrowed $109 million from the Alberta Heritage Savings Trust Fund. The Corporation received an appropriation of $102 million through the Department of Agriculture to meet operating costs, the costs of interest rebates, and the difference between the Corporation's cost of borrowing and its interest revenues.

**Alberta Mortgage and Housing Corporation**

Alberta Mortgage and Housing Corporation's programs assist Albertans in two ways: by constructing rental housing for senior citizens and low to middle income Albertans; and by making mortgage loans to help low and middle income Albertans find affordable rental and ownership housing in the private market.

During 1985-86, the Corporation, through its Family Home Purchase Program, committed $25 million in mortgage loans to enable 574 Alberta families to purchase their own homes. In the same period, funds were committed to construct 156 units under its Senior Citizens Self-Contained Program. As well, commitments were made for 20 units in Senior Citizens Lodges and 16 units under the Community Housing Program for low to moderate income Albertans of all ages.

To finance these activities and to repay debentures issued in earlier years, Alberta Mortgage and Housing Corporation borrowed $185 million from the Alberta Heritage Savings Trust Fund and $37 million (net) by issuing promissory notes to the Provincial Corporation Loan Fund. The Corporation received an appropriation of $207 million from the Department of Housing to meet operating costs, the cost of subsidies and the difference between the Corporation's cost of borrowing and its interest revenues.

**Alberta Municipal Financing Corporation**

The Alberta Municipal Financing Corporation provides loans to municipalities, school systems and hospital boards in the province at interest rates based on its cost of obtaining funds. During the year ended December 31, 1985, new loans totalled $338 million. To finance these lending activities, the Corporation borrowed $291 million from the Canada Pension Plan Investment Fund.

**Alberta Oil Sands Technology and Research Authority**

The Alberta Oil Sands Technology and Research Authority promotes the development of new technology both for the recovery and processing of petroleum from oil sands deposits and heavy crude reserves and for enhanced recovery from conventional reserves. To achieve these objectives, the Corporation supports research activities and participates with the private sector in pilot projects. The Corporation obtains ownership of the technology derived from the projects it funds and makes this technology available to all interested parties on business terms.

During the year ended March 31, 1986, the Alberta Oil Sands Technology and Research Authority received $50 million through an appropriation from the Capital Projects Division of the Heritage Fund, $3.5 million from the General Revenue Fund for administrative costs, and $2 million from the sale of technology.

**Alberta Opportunity Company**

The Alberta Opportunity Company operates as a lender of last resort by providing loans and guarantees to small businesses unable to obtain financing on reasonable terms and conditions from conventional sources. In 1985-86, the Company made 305 loans and 11 guarantee commitments; its direct lending activity totalled $22 million.

The Alberta Opportunity Company financed its lending activities and debenture repayments largely by borrowing $34 million from the Alberta Heritage Savings Trust Fund. To assist the Company with its operating costs, the Department of Economic Development provided a grant of $10 million.

**Other Provincial Corporations**

The Energy Resources Conservation Board is responsible for regulatory and other functions relating to the exploration, development, production and transportation of Alberta's energy resources. The Alberta Hail and Crop Insurance Corporation provides Alberta farmers with insurance against crop losses caused by hail and other natural hazards. The Alberta Educational Communications Corporation provides educational broadcasting services and develops, produces and distributes educational programs and materials.

# Commercial Enterprises

The provincial corporations, committees and enterprises included in this section are those which operate on the basis of their full cost being supported by charges for goods and services. These entities do not receive subsidies from the General Revenue Fund.

**Alberta Government Telephones**

The Alberta Government Telephones Commission provides Albertans with telephone, telecommunication and data processing services. In the year ended December 31, 1985, the Corporation's total revenues increased by 7% to $1,101 million, while its expenses increased by 3% to $1,053 million. Through a number of cost reduction and productivity measures, the Corporation reduced the growth in expenses from previous years and achieved a net income of $48 million, a significant increase from the $11 million realized in 1984.

During 1985, Alberta Government Telephones invested $181 million in new capital assets, bringing total assets to $2,309 million. These capital expenditures were financed by internally generated funds.

**Alberta Liquor Control Board**

The Alberta Liquor Control Board's net income for the year ended January 7, 1986 totalled $321 million. The net income of the Corporation and $2 million in unremitted income from the previous year were transferred to the General Revenue Fund.

**Treasury Branches**

Treasury Branches provide a wide variety of financial services to 221 Alberta communities through a network of 130 branches and 113 agencies. During 1985-86 deposit balances increased by $374 million to $4,528 million. Treasury Branches' loan portfolio increased by $529 million to $3,922 million. Total assets amounted to $4,521 million at year end.

For the year ended March 31, 1986, Treasury Branches had a net loss of $45 million primarily as a result of a higher level of non-performing loans.

**Other Commercial Enterprises**

The Workers' Compensation Board provides medical and vocational rehabilitation and compensation to injured workers through an industry supported insurance program. Alberta Terminals Ltd. operates inland grain terminals at Calgary, Edmonton and Lethbridge.

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The financial statements in this publication are extracted from the audited financial statements published in the Public Accounts of Alberta, 1985-86.

A. G. Heisler, C. A.
Controller

# Introduction

**General Revenue Fund Financial Statements**

The General Revenue Fund of the Province receives all public money, except money over which the Legislature has no power of appropriation and money which is otherwise specially disposed of by legislation. Once received in the General Revenue Fund, funds may be expended on the authority of a supply vote approved by the Legislative Assembly, a special warrant ordered by the Lieutenant Governor in Council, or a provincial statute.

Public money over which the Legislature has no power of appropriation is money paid in trust to the Province to be used for the purposes prescribed by the payer or settlor. Money otherwise specially disposed of by legislation represents fees or other revenues directed by legislation to be paid into a regulated fund to be used for special purposes. All other public money is paid into the General Revenue Fund.

Expenditures are made from the General Revenue Fund on the authority of supply votes approved by the Legislature, including special warrants ordered by the Lieutenant Governor in Council which are deemed to be supply votes. These expenditures are reported in the General Revenue Fund financial statements as budgetary expenditure — voted appropriations.

Expenditures may be made from the General Revenue Fund on the authority of legislation which may direct the transfer of revenue to another fund, shown in the financial statements as a reduction of budgetary revenue; or which directs certain types of expenditure which are disclosed as budgetary expenditure — statutory appropriations.

The term "Budgetary" is used to describe revenue or expenditure that affects General Revenue Fund "Net Assets". Non-budgetary transactions affect financial claims or liabilities recorded in the General Revenue Fund Statement of Reported Assets, Liabilities and Net Assets but do not change the "Net Assets" or surplus position.

**Consolidated Financial Statements**

The consolidated financial statements aggregate the financial operations and results of the General Revenue Fund, the Alberta Heritage Savings Trust Fund, other regulated funds, revolving funds, and certain provincial corporations and committees. These statements provide comprehensive information regarding the Province's overall financial operations. This information is not readily apparent from examination of the financial statements of each separate entity. A more detailed explanation of accounting policies used in the preparation of the consolidated statements is provided in the notes to the financial statements.

# General Revenue Fund

**Statement of Reported Assets, Liabilities and Net Assets**
**March 31, 1986**

| | In thousands | |
|---|---|---|
| | 1986 | 1985 |
| **Assets** | | |
| Cash and marketable securities (Schedule 1) | $ 541,104 | $1,076,054 |
| Accounts receivable | 691,486 | 979,680 |
| Long-term investments (Schedule 2) | 60,031 | 156,252 |
| Loans and advances to government enterprises (Schedule 3) | 502,316 | 377,258 |
| Loans and advances — other (Schedule 4) | 98,914 | 45,526 |
| | $1,893,851 | $2,634,770 |
| **Liabilities and Net Assets** | | |
| Liabilities: | | |
| Accounts and loans payable | $ 920,723 | $ 921,662 |
| Unearned revenue and suspense (Schedule 5) | 41 850 | 49,238 |
| Unmatured debt (Schedule 6) | 124,545 | 398,936 |
| | 1,087,118 | 1,369,836 |
| Net Assets: | | |
| Net assets at beginning of year | 1,264,934 | 221,585 |
| Budgetary deficit (surplus) | 458,201 | (1,043,349) |
| Net assets at end of year | 806,733 | 1,264,934 |
| | $1,893,851 | $2,634,770 |
| Guarantees (Schedule 10) | $ 473,638 | $ 465,049 |

See accompanying notes to the financial statements.

**Statement of Budgetary Revenue and Expenditure**
**For the Year Ended March 31, 1986**

In thousands

| | 1986 | | 1985 |
|---|---|---|---|
| | Budget(a) | Actual | Actual |
| Budgetary revenue (Schedule 7): | | | |
| General revenue: | | | |
| Taxes | $2,682,000 | $2,573,046 | $ 2,552,759 |
| Non-renewable resource revenue | 3,702,000 | 3,644,021 | 3,942,386 |
| Payments from Government of Canada | 1,102,000 | 1,231,708 | 1,279,465 |
| Fees, permits and licences | 178,000 | 185,576 | 203,402 |
| Trading profits | 286,000 | 324,218 | 303,570 |
| Other revenue | 225,000 | 247,827 | 265,420 |
| | 8,175,000 | 8,206,396 | 8,547,002 |
| Heritage Fund investment income | 1,694,000 | 1,666,863 | 1,575,285 |
| | 9,869,000 | 9,873,259 | 10,122,287 |
| Budgetary expenditure (Schedule 8): | | | |
| Health | 2,578,526 | 2,549,511 | 2,318,258 |
| Education | 2,378,597 | 2,369,902 | 2,203,312 |
| Social services | 1,183,110 | 1,180,154 | 1,051,321 |
| Regional planning and development | 313,648 | 270,463 | 289,464 |
| Housing | 342,299 | 262,798 | 283,959 |
| Recreation and culture | 178,217 | 172,146 | 177,341 |
| Environment | 99,692 | 113,772 | 93,936 |
| Resource conservation and industrial development | 741,509 | 1,000,832 | 648,348 |
| Transportation and utilities | 1,051,005 | 1,069,148 | 949,891 |
| Protection of persons and property | 418,995 | 406,776 | 382,701 |
| General government | 681,820 | 617,119 | 556,558 |
| Debt servicing costs | 83,000 | 35,782 | 104,567 |
| | 10,050,418 | 10,048,403 | 9,059,656 |
| Voted appropriations | 9,913,096 | 9,974,684 | 8,912,326 |
| Statutory appropriations | 137,322 | 73,719 | 147,330 |
| | 10,050,418 | 10,048,403 | 9,059,656 |
| Valuation adjustments (Schedule 9) | 14,000 | 283,057 | 19,282 |
| | 10,064,418 | 10,331,460 | 9,078,938 |
| Budgetary deficit (surplus) | $ 195,418 | $ 458,201 | $(1,043,349) |

(a) Revenue estimates include $104,000,000 of Heritage Fund investment income not included in the 1985 Budget Address, to reflect the May 15, 1985 revision to the revenue section of the financial plan.

Budgetary expenditure — voted appropriations includes supplementary estimates of $49,300,000 not included in the 1985 Budget Address and is reduced by $100,000 voted for investment purposes.

**Statement of Changes in Financial Position**
**For the Year Ended March 31, 1986**

In thousands

| | 1986 | | 1985 |
|---|---|---|---|
| | Budget | Actual | Actual |
| Operating transactions: | | | |
| Budgetary deficit (surplus) | $ 195,418 | $ 458,201 | $(1,043,349) |
| Add (deduct) non-cash items: | | | |
| Amortization of discount on investments and debt, net | — | 360 | (69,582) |
| Amortization of deferred realized gains and losses on sinking fund investments | — | 83 | (230) |
| Earnings on investments valued at equity | — | 1,297 | 707 |
| Increase in provision for exchange on debt payable in United States funds | — | (909) | (2,715) |
| Increase in provision for doubtful accounts and loans | (14,000) | (41,049) | (26,938) |
| Write-off of long-term investments | — | (203,107) | — |
| Increase (decrease) in receivables | — | (312,905) | 101,091 |
| Decrease in payables | — | 939 | 5,438 |
| Decrease in unearned revenue and suspense | — | 7,388 | 19,907 |
| Cash applied to (provided by) operating transactions | 181,418 | (89,702) | (1,015,671) |
| Investing transactions: | | | |
| Purchase of long-term investments | 6,236 | 105,653 | 49,570 |
| Loans and advances: | | | |
| Government enterprises | 63,400 | 227,373 | 61,775 |
| Other | 1,800 | 103,013 | 10,226 |
| Disposals, repayments and redemptions of long-term investments | — | (64) | (10,183) |
| Repayments of loans and advances: | | | |
| Government enterprises | (40,040) | (82,711) | (55,367) |
| Other | (2,311) | (3,469) | (4,670) |
| Cash applied to investing transactions | 29,085 | 349,795 | 51,351 |

**Statement of Changes in Financial Position (cont'd)**

| | In thousands | | |
|---|---|---|---|
| | 1986 | | 1985 |
| | Budget | Actual | Actual |
| Financing transactions: | | | |
| Issue of: | | | |
| Promissory notes | $ — | [illegible] | $(2,057,390) |
| Treasury bills | — | [illegible] | (1,747,511) |
| Debt retirement: | | | |
| Redemption of: | | | |
| Treasury bills | — | [illegible] | 2,030,000 |
| Promissory notes | — | [illegible] | 2,171,700 |
| Purchase of own Treasury bills | — | [illegible] | 180,573 |
| Sinking fund | — | [illegible] | 13,155 |
| Deferred realized gains/losses on sinking fund investments | — | [illegible] | 292 |
| Cash applied to financing transactions | — | [illegible] | 590,819 |
| Decrease (increase) in cash and marketable securities | $ 210,503 | [illegible] | $ (373,501) |

## Notes to the Financial Statements

**Note 1**
**Summary of Significant Accounting Policies and Reporting Practices**

These financial statements are prepared in accordance with the following accounting policies:

**(a) Reporting entity**

The reporting entity is the General Revenue Fund. Activities of Provincial agencies and regulated funds are reported only to the extent of advances made from or repaid to the General Revenue Fund, contributions from the General Revenue Fund to cover expenses or operating deficits and repayments of contributions in excess of current requirements. Financial claims of and on revolving funds are included in the General Revenue Fund statements and the net funds required to finance revolving fund operations have been charged to budgetary expenditure.

**(b) Basis of financial reporting**

*Revenues*

Budgetary revenues are reported on an accrual basis except for net personal and corporate income taxes which are reported on a cash basis. Non-renewable resource revenue includes an estimate of revenue receivable from certain categories of resource royalty payors as well as various adjustments applicable to prior years. As the need for adjustment of this revenue is identified in future years, the adjustment will be reflected in revenue of those years.

*Expenditures*

Expenditures represent the cost of goods and services acquired during the year and expenditures made or accrued in accordance with the conditions of approved grant programs, including capital acquisitions, expenditures on capital programs and grants for capital purposes.

Pension costs are reported on a current contributions basis and no provision is made for actuarial estimates of additional annual costs.

No provision is made for accrued employee vacation entitlements, sick leave and long term disability benefits.

*Reported Assets and Liabilities*

Reported assets are limited to financial claims due to the General Revenue Fund and revolving funds as a result of events and transactions prior to March 31, 1986 except that net personal and corporate income taxes receivable are not reported.

Liabilities include all financial claims payable by the General Revenue Fund and revolving funds at March 31, 1986. No provision is made for actuarial estimates of liabilities in respect of the present or future benefits payable under Pension Plan Acts with benefits directly chargeable to or guaranteed by the Province, accrued employee vacation entitlements, sick leave and long term disability benefits, amounts payable under the Alberta Income Tax Act, the Alberta Corporate Income Tax Act, commitments under construction or other contracts and agreements at the year end, including capital equipment leases.

Marketable securities are valued at cost or market value, whichever is lower, on an aggregate basis.

Long-term investments are recorded at cost, except for investments in wholly owned Provincial corporations operated as commercial enterprises which are valued on an equity basis.

Where there has been a loss in value of an investment that is other than a temporary decline, the investment is written down to recognize the loss. The written down value is deemed to be the new cost.

Sinking fund investments are carried at adjusted cost which includes deferred unamortized realized gains and losses. Realized gains and losses on disposals of sinking fund investments are considered to be an adjustment of future portfolio yield and are deferred and amortized on a straight line basis over the lesser of the remaining term to maturity of the investment disposed of or ten years.

Debentures included in unmatured debt are recorded at face amount of the issue plus a provision for exchange on debt payable in United States funds at the March 31 rate of exchange, less sinking fund assets. Promissory notes and Treasury bills are recorded at issue principal less unamortized discount and investments in Province of Alberta issues, where applicable.

Consistent with the reporting of capital acquisitions as expenditure, fixed assets are not reported.

**Note 2**
**Pension Liabilities and Commitments**

Pension receipts and pension payments are recorded initially in the General Revenue Fund and subsequently transferred to the Pension Fund, pursuant to section 5 of the Pension Fund Act. The Act provides that payments in excess of Pension Fund net assets are to be charged to the General Revenue Fund. Pension Fund net assets at March 31, 1986 amounted to $3,010,701,000 (1985 — $2,564,204,000).

Actuarial valuations of the following Pension Acts were carried out at March 31, 1985 and estimated accrued liabilities were as undernoted.

| | |
|---|---|
| Local Authorities Pension Act | $2,684,007,000 |
| M.L.A. Pension Act | 30,215,000 |
| Public Service Management Pension Act | 904,734,000 |
| Public Service Pension Act | 1,654,033,000 |
| Special Forces Pension Act | 389,281,000 |
| Universities Academic Pension Act | 780,944,000 |
| Total liability | 6,443,214,000 |
| Less Pension Fund balance at March 31, 1985 | 2,564,204,000 |
| Unfunded accrued liability | $3,879,010,000 |

The above figures were estimated by calculating the present value, at March 31, 1985, of benefits that accrued in respect of service to that date. The valuations were based on a common set of economic assumptions, including rate of salary increases due to inflation, interest rates and rates of discretionary cost of living increases for present and future retired members. Some of the demographic

assumptions used in estimating the above liabilities, including termination, retirement and salary increases due to promotion and merit, varied from plan to plan according to the particular characteristics of each plan.

Under provisions of the Teachers' Retirement Fund Act, payment of all benefits is guaranteed by the Province of Alberta. An actuarial valuation at August 31, 1983 indicated that Teachers' Retirement Fund assets were insufficient by an amount of approximately $1,332,500,000 to meet the liabilities of the fund. The actuarial valuation was based on a different set of assumptions to those used for the above Pension Acts. When preparing the 1983 valuation, the consulting actuary estimated that the unfunded accrued liability would amount to approximately $1,620,000,000 at March 31, 1986 (1985 — $1,480,000,000).

**Note 3**
**Contingent Liabilities**

The Province has a contingent liability in respect of a statement of claim issued on February 19, 1982. The plaintiffs are the members of the Lubicon Lake Band and the Cree Community of Little Buffalo Lake. The defendants are the Province of Alberta and a number of oil companies. The plaintiffs claim entitlement to at least 60 square miles of land in Northwestern Alberta as a reserve. They are also claiming $700,000,000 in lieu of royalties and revenues, or alternatively a reserve of 60 square miles including mines and minerals together with $200,000,000 damages, and interest on all amounts.

The Province has a contingent liability in respect of a statement of claim filed by eight Metis Settlement Associations. On February 2, 1977 it was contended that the Province had received approximately $30,000,000 from the sale, lease or rental, royalties and fees from the petroleum and natural gas rights on certain lands and that the Associations were entitled to the aforesaid monies as well as all monies thereafter accruing from these petroleum and natural gas rights.

The Province also has a contingent liability in respect of four other native land or mineral rights claims in which the amounts claimed are unspecified.

At March 31, 1986 the Province was named as defendant in various legal actions in addition to those noted above. The total claimed in specific legal actions amounts to approximately $119,175,000. Potential claims amount to approximately $93,000.

The resulting loss, if any, from these claims and potential claims cannot be determined.

The Province has a contingent liability to return to Indian Bands its share of oil export tax relating to the period October 1, 1973 to March 31, 1974 in respect of oil production from Indian lands. The Province is committed to return its share of oil export tax, which amounts to approximately $4,650,000, if the federal government makes a similar decision in respect of its share.

Details of guarantees are shown in Schedule 10.

No provision has been made in the financial statements for contingent liabilities resulting from litigation and guarantees.

**Note 4**
**Contingent Assets**

The Province has a contingent asset of $21,792,000 at March 31, 1986 in respect of deductions made under section 20 of the Canada Health Act by the Government of Canada from payments to the Province as financial penalties for extra billing by medical practitioners or dentists, and hospital admission charges. The amounts deducted are recoverable by the Province of Alberta if, in the opinion of the Federal Minister responsible for the Canada Health Act, extra billing or user charges are eliminated on or before March 31, 1987. Extra billing was eliminated pursuant to section 5.2 of the Alberta Health Care Insurance Amendment Act, 1986 which came into force on October 1, 1986 and hospital admission charges were eliminated by regulation on the same date. Any amounts recovered will be accounted for as income of the period in which the recoveries occur.

**Note 5**
**Comparative Figures**

The 1985 figures have been restated where necessary to conform to the 1986 presentation.

## Schedule 1
## Cash and Marketable Securities

In thousands

| | 1986 | | 1985 | |
|---|---|---|---|---|
| | Cost | Market Value | Cost | Market Value |
| Bonds and Debentures: | | | | |
| Government of Canada, direct and guaranteed | $ — | $ — | $ 29,701 | $ 25,345 |
| Province of Alberta, direct and guaranteed | 265,062 | 291,423 | 289,510 | 319,395 |
| Other provinces, direct and guaranteed | 34,844 | 34,188 | 72,254 | 60,268 |
| Board of Governors of the University of Alberta | 5,047 | 5,070 | 5,097 | 4,879 |
| Municipal | 2,689 | 2,253 | 3,005 | 2,093 |
| School districts and divisions | 388 | 360 | 713 | 624 |
| Corporate | 7,371 | 7,273 | 5,689 | 4,529 |
| | 315,401 | 340,567 | 405,969 | 417,133 |
| Shares | 5,169 | 5,166 | 327 | 87 |
| Mortgages | 9,183 | 10,112 | 10,966 | 10,707 |
| Long-term promissory notes | 7,131 | 7,127 | 16,176 | 15,164 |
| | 336,884 | 362,972 | 433,438 | 443,091 |
| Short-term money market securities (a): | | | | |
| Certificates of deposit | 25,000 | 25,000 | — | — |
| Bearer deposit notes | — | — | 121,351 | 121,351 |
| Bankers' acceptances | — | — | 120,199 | 120,199 |
| Call loans | — | — | 80,000 | 80,000 |
| Promissory notes | — | — | 89,337 | 89,337 |
| Treasury bills | — | — | 61,872 | 61,872 |
| | 25,000 | 25,000 | 472,759 | 472,759 |
| Cash: | | | | |
| Cash in bank and in transit | (114,371) | (114,371) | 14,178 | 14,178 |
| Deposits in Consolidated Cash Investment Trust Fund | 293,591 | 293,591 | 155,679 | 155,679 |
| | 179,220 | 179,220 | 169,857 | 169,857 |
| | $ 541,104 | $ 567,192 | $1,076,054 | $1,085,707 |

(a) The market value of short-term money market securities is estimated to approximate cost.

**Schedule 2**
**Long-Term Investments**

| | In thousands | |
|---|---|---|
| | 1986 | 1985 |
| Sturdi-Wood Inc. | | |
| Class B preferred shares | $ 4,600 | $ — |
| Global Thermoelectric Power Systems Ltd. | | |
| preferred shares | 3,808 | 2,934 |
| Chembiomed Ltd. preferred shares | 3,369 | 3,369 |
| General Systems Research Ltd. non-interest | | |
| bearing participating debenture | 2,500 | 2,500 |
| Native Venture Capital Co. Ltd. | | |
| Class A common shares | 10 | 10 |
| Class B common shares | 10 | 10 |
| Class A preferred shares | 1,980 | 1,980 |
| Myrias Research Corporation | | |
| preferred shares | 1,578 | — |
| Pacific Western Airlines Corporation | | |
| common shares | 1,444 | 1,444 |
| Norstar Instruments Ltd. | | |
| series A preferred shares | 600 | — |
| Alberta Municipal Financing Corporation | | |
| Class A shares | 45 | 45 |
| Ridley Grain Ltd. non-interest bearing | | |
| participating series A debenture | — | 125,170 |
| Total at cost | 19,944 | 137,462 |
| Alberta Intermodal Services Ltd. common | | |
| shares (a) | 20,378 | — |
| Alberta Terminals Ltd. common shares (b) | 19,709 | 18,790 |
| Total at equity | 40,087 | 18,790 |
| | $ 60,031 | $156,252 |

(a) The investment in Alberta Intermodal Services Ltd., representing 100% of the outstanding voting shares, is valued at equity, being cost adjusted for post acquisition operating results. Equity at March 31, 1986 represents cost $20,000,000 plus retained earnings at December 31, 1985 of $378,000.

(b) The investment in Alberta Terminals Ltd., representing 100% of the outstanding voting shares, is valued at equity, being cost adjusted for post-acquisition operating results. Equity at March 31, 1986 represents cost $17,528,000 (1985 — $17,528,000) plus retained earnings at July 31, 1985 of $2,181,000 (1984 — $1,262,000).

**Schedule 3**
**Loans and Advances to Government Enterprises**

| | In thousands | |
|---|---|---|
| | 1986 | 1985 |
| Loan Funds: | | |
| Rural Electrification Revolving Fund | $ 53,431 | $ 47,935 |
| Students Loan Fund | 261 | 289 |
| Homestead Lease Loan Fund | 8 | 8 |
| | 53,700 | 48,232 |
| Other Regulated Funds and Agencies: | | |
| Alberta Mortgage and Housing Corporation | 290,833 | 311,500 |
| Alberta Hail and Crop Insurance Corporation | 164,657 | 3,753 |
| Alberta Petroleum Marketing Commission | 10,000 | 10,000 |
| Alberta Resources Railway Corporation | 8,794 | 9,429 |
| Motion Picture Development Fund | 3,000 | 3,000 |
| Public Trustee | 24 | 24 |
| Alberta Opportunity Company | — | 312 |
| Alberta General Insurance Company | — | 110 |
| | 477,308 | 338,128 |
| | 531,008 | 386,360 |
| Less allowance for doubtful loans and advances | 28,692 | 9,102 |
| | $502,316 | $377,258 |

**Schedule 4**
**Loans and Advances — Other**

| | In thousands | |
|---|---|---|
| | 1986 | 1985 |
| Credit Union Stabilization Corporation | $ 93,107 | $ — |
| Accountable advances | 19,799 | 15,205 |
| Advances under the Municipal Land Loans Act — cities | 14,523 | 15,881 |
| Chembiomed Ltd. | 5,205 | 3,705 |
| Airport terminal costs recoverable from the Government of Canada | 3,667 | 3,753 |
| Global Thermoelectric Power Systems Ltd. | 3,425 | 3,129 |
| Canadian Co-operative Implements Ltd. | 3,150 | 1,575 |
| University of Alberta Students' Union | 2,361 | 2,471 |
| University of Calgary Students' Union | 1,312 | 1,368 |
| Judgement debts | 939 | 1,268 |
| Alberta Stock Exchange | 574 | — |
| Alberta Union of Rural Electrification Associations Co-operative Ltd. | 100 | — |
| Advances under the Cemeteries Act | 85 | 85 |
| Guarantees Implemented: | | |
| Rural gas co-operatives | 1,129 | 1,261 |
| Export program | 964 | — |
| Feeder associations | 772 | 848 |
| Agricultural Societies Act | 212 | 242 |
| Agricultural development loans | 77 | 296 |
| Cow-calf producers' advances | 56 | 78 |
| Alberta livestock loans | 35 | 28 |
| Co-operative marketing associations | 19 | 138 |
| Saddle Lake development loans | — | 106 |
| Interim assistance loans | — | 1 |
| Foothills Provincial General Hospital | — | 1,500 |
| Myrias Research Corporation | — | 1,250 |
| University of Alberta Hospital | — | 900 |
| Advances under water transmission pipeline agreements | — | 818 |
| Provincial Cancer Hospitals | — | 451 |
| Glenrose Rehabilitation Hospital | — | 350 |
| Miscellaneous | 3 | 3 |
| | 151,514 | 56,710 |
| Less allowance for doubtful loans and advances | 52,600 | 11,184 |
| | $ 98,914 | $ 45,526 |

## Schedule 5
## Unearned Revenue and Suspense

| | In thousands 1986 | 1985 |
|---|---|---|
| Unearned Revenue: | | |
| Cash on hand or in transit in respect of revenue of the next fiscal year | $41,165 | $46,767 |
| Suspense: | | |
| Cash on hand or in transit which will be disbursed to other funds, refunded or credited to revenue of the next fiscal year | 685 | 2,471 |
| | $41,850 | $49,238 |

## Schedule 6
## Unmatured Debt

| Date of Issue | Date of Maturity | Principal Outstanding | In thousands Deduct Sinking Fund Assets | Net Unmatured Debt 1986 | 1985 |
|---|---|---|---|---|---|
| Debentures: | | | | | |
| Canada Pension Plan Investment Fund | | | | | |
| July 4, 1972 | July 4, 1992 | $ 9,107 | $ 4,978 | $ 4,129 | $ 4,849 |
| Aug. 1, 1972 | Aug. 1, 1992 | 7,520 | 4,088 | 3,432 | 4,034 |
| Sept. 1, 1972 | Sept. 1, 1992 | 8,402 | 4,545 | 3,857 | 4,525 |
| Oct. 2, 1972 | Oct. 2, 1992 | 5,724 | 3,078 | 2,646 | 3,101 |
| Nov. 1, 1972 | Nov. 1, 1992 | 5,947 | 3,174 | 2,773 | 3,242 |
| Dec. 1, 1972 | Dec. 1, 1992 | 5,484 | 2,910 | 2,574 | 3,005 |
| Other | | | | | |
| Dec. 2, 1968 | Dec. 2, 1988 | 12,500 | 10,705 | 1,795 | 3,117 |
| Apr. 15, 1970 | Apr. 15, 1990 | 3,000 | 1,900 | 1,100 | 1,354 |
| Nov. 16, 1970 | Nov. 16, 1990 | 35,000 | 21,401 | 13,599 | 16,570 |
| Jun. 15, 1971 | Jun. 15, 1991 | 25,000 | 14,705 | 10,295 | 12,371 |
| Oct. 15, 1971 | Oct. 15, 1991 | 50,000 | 28,748 | 21,252 | 25,348 |
| Mar. 31, 1972 | Mar. 31, 1992 | 4,000 | 2,224 | 1,776 | 2,097 |
| Dec. 1, 1967 | Dec. 1, 1992 | 20,000 | 18,119 | 1,881 | 4,072 |
| Mar. 1, 1969 | Mar. 1, 1994 | 41,919(a) | 28,483 | 13,436 | 16,851 |
| | | $233,603 | $149,058 | 84,545 | 104,536 |
| Promissory notes | | | | 40,000 | 60,000 |
| Treasury bills | | | | — | 420,000 |
| Less unamortized discount | | | | — | 5,027 |
| | | | | — | 414,973 |
| Less investment in own Treasury bills | | | | — | 180,573 |
| | | | | — | 234,400 |
| | | | | $124,545 | $398,936 |

(a) Includes provision for exchange at year end on debentures payable in United States funds (U.S. $30,000,000).

## Schedule 7
## Budgetary Revenue

In thousands

| | 1986 | | 1985 |
|---|---|---|---|
| | Budget | Revenue | Revenue |
| **Taxes:** | | | |
| Personal income tax | $1,523,000 | $1,521,228 | $1,456,652 |
| Corporate income tax | 820,000 | 711,162 | 762,099 |
| Freehold mineral rights tax | 187,000 | 188,818 | 185,527 |
| Tobacco tax | 101,000 | 100,050 | 100,169 |
| Insurance corporations tax | 34,000 | 35,487 | 31,413 |
| Pari-mutuel tax | 9,000 | 9,209 | 9,447 |
| Other | 8,000 | 7,092 | 7,452 |
| | 2,682,000 | 2,573,046 | 2,552,759 |
| **Non-Renewable Resource Revenue:** | | | |
| Crude oil royalty | 2,691,000 | 2,533,673 | 2,916,470 |
| Natural gas and by-products royalty | 1,892,000 | 1,805,935 | 1,942,413 |
| Synthetic crude oil royalty | 149,000 | 220,868 | 135,058 |
| Coal royalty | 11,000 | 10,928 | 8,900 |
| Rentals and fees | 99,000 | 91,184 | 87,977 |
| Bonuses and sales of Crown leases | 660,000 | 724,418 | 662,133 |
| Exploratory drilling and geophysical incentive credits | (220,000) | (44,192) | (127,992) |
| Allocation to Alberta Petroleum Incentives Program Fund | (455,000) | (490,760) | (437,497) |
| Royalty tax credit | (315,000) | (410,779) | (395,868) |
| | 4,512,000 | 4,441,275 | 4,791,594 |
| Allocation to Alberta Heritage Savings Trust Fund (a) | (677,000) | (666,191) | (718,739) |
| Allocation to Natural Gas Rebates Fund | (133,000) | (131,063) | (130,469) |
| | 3,702,000 | 3,644,021 | 3,942,386 |
| **Payments from Government of Canada:** | | | |
| Canada assistance plan | 372,000 | 379,961 | 341,334 |
| Hospital insurance | 344,000 | 362,374 | 354,724 |
| Post-secondary education | 194,000 | 206,032 | 201,264 |
| Extended health care | 100,000 | 98,970 | 94,361 |
| Training of manpower | 45,000 | 45,198 | 47,868 |
| Oil export charge | 10,000 | 78,354 | 194,573 |
| Other | 37,000 | 60,819 | 45,341 |
| | 1,102,000 | 1,231,708 | 1,279,465 |
| **Fees, Permits and Licences:** | | | |
| Motor vehicle licences | 79,000 | 82,325 | 102,228 |
| Land titles | 21,000 | 20,658 | 18,836 |
| Timber rentals and fees | 15,000 | 17,038 | 18,408 |
| Other | 63,000 | 65,555 | 63,930 |
| | 178,000 | 185,576 | 203,402 |
| **Trading Profits:** | | | |
| Alberta Liquor Control Board | 285,000 | 314,500 | 300,000 |
| Other | 1,000 | 9,718 | 3,570 |
| | 286,000 | 324,218 | 303,570 |
| **Other Revenue:** | | | |
| Investment income | 104,000 | 119,950 | 140,981 |
| Refunds of expenditure | 55,000 | 67,513 | 64,706 |
| Fines and penalties | 24,000 | 18,209 | 19,548 |
| Sales of assets | 4,000 | 3,410 | 5,268 |
| Miscellaneous | 38,000 | 38,745 | 34,917 |
| | 225,000 | 247,827 | 265,420 |
| Total general revenue | 8,175,000 | 8,206,396 | 8,547,002 |
| Heritage Fund investment income | 1,694,000 | 1,666,863 | 1,575,285 |
| Total revenue | $9,869,000 | $9,873,259 | $10,122,287 |

## Schedule 7
## Budgetary Revenue
## (cont'd)

(a) The following table shows how the allocation of non-renewable resource revenue to the Alberta Heritage Savings Trust Fund for the fiscal years ended March 31, 1985 and 1986 was calculated. The table includes an analysis of the allocation and a reconciliation to the transfer reported by the Alberta Heritage Savings Trust Fund.

| | In thousands | |
|---|---|---|
| | 1986 | 1985 |
| Net non-renewable resource revenue before allocation (i) | $4,441,275 | $4,791,594 |
| Allocation — 15% of preceding total (i) | $ 666,191 | $ 718,739 |
| Transferred during the year | $ 667,948 | $ 702,051 |
| Amount to be transferred (recovered) | (1,757) | 16,688 |
| | 666,191 | 718,739 |
| Decrease in amount to be transferred | 18,446 | 17,476 |
| Prior period adjustment of the Alberta Heritage Savings Trust Fund (ii) | — | 983 |
| Transfer reported by the Alberta Heritage Savings Trust Fund | $ 684,637 | $ 737,198 |

(i) These amounts are reported on an accrual basis. The transfer made to the Alberta Heritage Savings Trust Fund, pursuant to the Alberta Heritage Savings Trust Fund Act, was on a basis of cash received.

(ii) This adjustment was required pursuant to section 5(6) of the Alberta Heritage Savings Trust Fund Act to make the amount of non-renewable resource revenue in the Alberta Heritage Savings Trust Fund for the year ended March 31, 1984 equal to 15% of the non-renewable resource revenue received in that year.

## Schedule 8
## Budgetary Expenditure by Department

In thousands

| | 1986 | | | 1985 |
|---|---|---|---|---|
| | Original Budget(a) | Total Authorized(b) | Expenditure | Expenditure |
| **Legislative Assembly:** | | | | |
| Support to the Legislative Assembly | $ 12,081 | $ 12,166 | $ 10,764 | $ 10,842 |
| Office of the Auditor General | 9,675 | 9,956 | 9,677 | 9,087 |
| Office of the Ombudsman | 885 | 902 | 770 | 795 |
| Office of the Chief Electoral Officer | 4,310 | 4,320 | 3,715 | 582 |
| | 26,951 | 27,344 | 24,926 | 21,306 |
| **Departmental:** | | | | |
| Advanced Education | 939,369 | 939,657 | 915,898 | 898,320 |
| Agriculture | 247,689 | 480,302 | 442,303 | 214,843 |
| Attorney General | 134,342 | 139,634 | 131,628 | 122,741 |
| Consumer and Corporate Affairs | 24,709 | 25,100 | 22,406 | 22,437 |
| Culture | 59,629 | 60,291 | 57,980 | 66,597 |
| Revolving fund | (22) | (22) | 2 | 132 |
| Economic Development | 69,190 | 91,341 | 79,929 | 57,447 |
| Education | 1,233,180 | 1,234,584 | 1,232,257 | 1,150,967 |
| School Book Branch | 92 | 92 | 889 | (514) |
| Energy and Natural Resources | 108,111 | 108,913 | 99,371 | 67,463 |
| Environment | 99,710 | 122,934 | 113,612 | 94,212 |
| Water Resources Revolving Fund | (18) | (18) | 160 | (318) |
| Executive Council | 86,288 | 90,133 | 87,058 | 92,779 |
| Personnel Administration Revolving Fund | 6 | 6 | (67) | 39 |
| Federal and Intergovernmental Affairs | 6,347 | 6,615 | 6,623 | 6,554 |
| Forestry | 161,206 | 185,085 | 175,294 | 177,105 |
| Revolving fund | 205 | 205 | 804 | — |
| Hospitals and Medical Care | 2,338,569 | 2,358,534 | 2,303,385 | 2,095,391 |
| Housing | 342,299 | 342,536 | 262,798 | 283,959 |
| Labour | 26,608 | 27,252 | 25,830 | 24,749 |
| Manpower | 189,823 | 235,797 | 204,560 | 136,984 |
| Municipal Affairs | 374,169 | 374,916 | 367,678 | 353,085 |
| Public Works, Supply and Services | 552,976 | 561,584 | 504,927 | 439,098 |
| Revolving fund | 5,938 | 5,938 | (6,405) | 3,218 |
| Recreation and Parks | 118,610 | 119,288 | 114,160 | 110,612 |
| Revolving fund | — | — | 4 | — |
| Social Services and Community Health | 1,282,086 | 1,305,921 | 1,288,141 | 1,144,232 |
| Solicitor General | 237,364 | 241,102 | 230,471 | 217,252 |
| Technology, Research and Telecommunications | 49,781 | 56,410 | 53,980 | 43,663 |
| Tourism | 15,754 | 17,427 | 14,937 | 10,038 |
| Transportation | 883,219 | 889,905 | 879,597 | 799,939 |
| Revolving fund | (5,491) | (5,491) | 31,151 | 1,255 |
| Treasury | 132,347 | 189,407 | 176,198 | 112,526 |
| Revolving funds and other statutory appropriations | 136,612 | 136,612 | 47,909 | 143,250 |
| Utilities | 172,770 | 176,939 | 158,737 | 148,027 |
| Gas Alberta Operating Fund | — | — | (728) | 268 |
| Salary contingency | — | 12,368 | — | — |
| | 10,023,467 | 10,531,297 | 10,023,477 | 9,038,350 |
| | $10,050,418 | $10,558,641 | $10,048,403 | $ 9,059,656 |
| **Summary:** | | | | |
| Voted appropriations | $ 9,913,096 | $10,421,319 | $ 9,974,684 | $ 8,912,326 |
| Statutory appropriations | 137,322 | 137,322 | 73,719 | 147,330 |
| | $10,050,418 | $10,558,641 | $10,048,403 | $ 9,059,656 |

(a) Reduced by $100,000 voted for investment purposes.
(b) Reduced by $285,275,000 authorized for non-budgetary purposes.

## Schedule 9
## Budgetary Expenditure — Valuation Adjustments

| | In thousands | | |
|---|---|---|---|
| | 1986 | | 1985 |
| | Budget | Expenditure | Expenditure |
| Write-off of long-term investments | $ — | $203,107 | $ — |
| Write-down and write-off of marketable securities | — | 37,992 | — |
| Provision for doubtful accounts and loans | 14,000 | 41,049 | 26,938 |
| Provision for exchange on debt payable in United States funds | — | 909 | 2,715 |
| Provision for reduction of investments to market | — | — | (10,371) |
| | $14,000 | $283,057 | $19,282 |

## Schedule 10
## Guarantees

Guarantees of debt obligations that, if implemented, would be a charge on the General Revenue Fund are as follows:

| | In thousands | |
|---|---|---|
| | 1986 | 1985 |
| Debentures: | | |
| AEC Power Ltd. | $210,139 | $220,700 |
| Vencap Equities Alberta Ltd. | 40,000 | 40,000 |
| | 250,139 | 260,700 |
| Bank, Treasury Branch and Credit Union Loans: | | |
| Corporations and individuals under various government programs | 196,830 | 177,080 |
| Other: | | |
| Federal loans | 17,484 | 17,935 |
| Mortgage loans | 9,185 | 9,334 |
| | 26,669 | 27,269 |
| Total | $473,638 | $465,049 |

The above amounts exclude guaranteed liabilities of government entities described in the table below, net of sinking funds and intra-governmental holdings:

| | In thousands | |
|---|---|---|
| | 1986 | 1985 |
| Treasury Branches Deposits Fund | $4,435,885 | $4,085,623 |
| Alberta Municipal Financing Corporation | 2,978,072 | 2,830,578 |
| Alberta Government Telephones Commission | 455,775 | 336,363 |
| Alberta Mortgage and Housing Corporation | 140,925 | 149,697 |
| | $8,010,657 | $7,402,261 |

**Schedule 10**
**Guarantees (cont'd)**

The Treasury Branches Deposits Fund and Alberta Municipal Financing Corporation have substantial financial assets to meet their liabilities. At March 31, 1986 the Treasury Branches Deposits Fund had financial assets of $4,399,435,000 to meet guaranteed deposits of $4,527,539,000 (1985 — $4,106,339,000 and $4,153,935,000), and Alberta Municipal Financing Corporation had financial assets of $5,007,580,000 to meet guaranteed debenture debt, net of sinking funds, of $4,669,722,000 (1985 — $4,991,074,000 and $4,564,525,000).

# Province of Alberta

**Consolidated Statement of Reported Assets, Liabilities and Net Assets**
**March 31, 1986**

| | In thousands 1986 | 1985 |
|---|---|---|
| **Assets** | | |
| Cash and marketable securities (Schedule 1) | $ 3,345,626 | $ 3,144,096 |
| Accounts receivable | 1,624,228 | 2,437,378 |
| Portfolio investments (Schedule 2) | 5,183,854 | 4,816,970 |
| Long-term investments (Schedule 3) | 735,491 | 856,051 |
| Equity in commercial enterprises (Schedule 4) | 1,539,916 | 1,707,368 |
| Loans and advances (Schedule 5) | 8,335,431 | 8,469,633 |
| Real estate held for rental and resale | 202,323 | 109,331 |
| | $20,966,869 | $21,540,827 |
| **Liabilities and Net Assets** | | |
| Liabilities | | |
| Accounts and loans payable | $ 1,699,437 | $ 2,290,431 |
| Unearned revenue and suspense | 56,880 | 66,905 |
| Unmatured debt (Schedule 6) | 3,175,157 | 3,633,810 |
| | 4,931,474 | 5,991,146 |
| Restricted profits and equity (Schedule 7) | 3,442,048 | 2,915,703 |
| Net Assets | | |
| Net assets at beginning of year | 12,633,978 | 11,387,972 |
| Net expenditure (revenue) | 40,631 | (1,246,006) |
| Net assets at end of year | 12,593,347 | 12,633,978 |
| | $20,966,869 | $21,540,827 |
| Guarantees (Schedule 11) | $ 526,979 | $ 519,475 |
| Trust funds under administration | $ 1,559,354 | $ 1,430,441 |

See accompanying notes to the financial statements.

**Consolidated Statement of Revenue and Expenditure**
**For the Year Ended March 31, 1986**

| | In thousands | |
|---|---|---|
| | 1986 | 1985 |
| Revenue (Schedule 8): | | |
| Taxes | [illegible] | $ 2,784,662 |
| Non-renewable resource revenue | [illegible] | 5,229,091 |
| Payments from Government of Canada | [illegible] | 1,646,583 |
| Fees, permits and licences | [illegible] | 512,514 |
| Trading profits | [illegible] | 369,480 |
| Investment income | [illegible] | 2,042,108 |
| Other revenue | [illegible] | 201,386 |
| | [illegible] | 12,785,824 |
| Expenditure (Schedules 9 and 10): | | |
| Health | [illegible] | 2,731,091 |
| Education | [illegible] | 2,384,595 |
| Social services | [illegible] | 1,051,321 |
| Regional planning and development | [illegible] | 700,364 |
| Housing | [illegible] | 147,433 |
| Recreation and culture | [illegible] | 226,548 |
| Environment | [illegible] | 146,944 |
| Resource conservation and industrial development | [illegible] | 1,423,306 |
| Transportation and utilities | [illegible] | 1,348,384 |
| Protection of persons and property | [illegible] | 387,896 |
| General government | [illegible] | 660,591 |
| | [illegible] | 11,208,473 |
| Valuation adjustments | [illegible] | 331,345 |
| | [illegible] | 11,539,818 |
| Net expenditure (revenue) | [illegible] | $(1,246,006) |

**Consolidated Statement of Changes in Financial Position**
**For the Year Ended March 31, 1986**

| | In thousands | |
|---|---|---|
| | 1986 | 1985 |
| Operating transactions: | | |
| Net revenue (expenditure) | $ (40,631) | $1,246,006 |
| Non-cash items: | | |
| Provision for decline in market value, write-off and write-down of investments | 207,866 | 4,400 |
| Provision for doubtful accounts and loans | 131,440 | 324,230 |
| Gains and losses retained by commercial enterprises | 50,309 | (61,587) |
| Provision for exchange on debt payable in United States funds | 909 | 2,715 |
| Net gains on disposals of investments | (153,532) | (24,855) |
| Amortization of discount and premium on investments and debt, net | (22,038) | 46,980 |
| Amortization of deferred realized gains and losses | (6,451) | (3,783) |
| Decrease (increase) in receivables | 837,860 | (76,522) |
| Restricted profits and equity | 526,345 | 476,786 |
| Increase (decrease) in payables | (590,994) | 166,071 |
| Unearned revenue and suspense | (10,025) | (21,273) |
| Cash provided by operating transactions | 931,058 | 2,079,168 |
| Investing transactions: | | |
| Proceeds from disposals, repayments and redemptions of investments: | | |
| Portfolio investments | 1,458,758 | 1,329,688 |
| Long-term investments | 313,312 | 179,771 |
| Equity in commercial enterprises, net | 117,143 | (166,864) |
| Repayment of loans and advances | 543,891 | 374,347 |
| Deferred realized gains and losses | 15,991 | 15,757 |
| Investments: | | |
| Portfolio investments | (1,756,354) | (1,594,604) |
| Long-term investments | (291,909) | (217,195) |
| Loans and advances | (518,950) | (875,733) |
| Real estate held for rental and resale, net | (139,882) | (137,374) |
| Cash applied to investing transactions | (258,000) | (1,092,207) |
| Financing transactions: | | |
| Debt issues | 1,924,313 | 4,246,835 |
| Debt retirement | (2,395,841) | (4,236,098) |
| Cash provided by (applied to) financing transactions | (471,528) | 10,737 |
| Increase in cash and marketable securities | 201,530 | 997,698 |
| Cash and marketable securities at beginning of year | 3,149,096 | 2,146,398 |
| Cash and marketable securities at end of year | $3,350,626 | $3,144,096 |

**Note 1**
**Summary of Significant Accounting Policies and Reporting Practices**

These financial statements are prepared in accordance with the following accounting policies:

**(a) Reporting entity**

These financial statements are consolidations of the financial statements of the General Revenue Fund, revolving funds, regulated funds, Provincial corporations, Provincial committees and commercial enterprises for which separate financial statements and summaries are presented in Volume 1 of the Public Accounts of Alberta, 1985-86.

Under the Financial Administration Act, Alberta Energy Company Ltd., in which the Province holds 37% of the voting shares, does not come under the definition of Provincial corporation. The Province's investment in that company is included in long-term investments at cost. Housing authorities incorporated under section 42 of the Alberta Mortgage and Housing Corporation Act, the Credit Union Stabilization Corporation established under section 90 of the Credit Union Act, and new towns incorporated under section 5 of the New Towns Act are excluded from the definition of Provincial corporation. Accordingly the accounts of housing authorities, the Credit Union Stabilization Corporation and new towns are not included in the consolidated financial statements.

The following corporations are excluded from the definition of Provincial corporation and are exempted from all other provisions of the Financial Administration Act except section 2, which provides the exemption, and section 81 respecting the approval of borrowing by the Provincial Treasurer. Accordingly their accounts are excluded from the Public Accounts and the consolidated financial statements.

(a) The board of a university under the Universities Act
(b) The interim governing body of a university under the Universities Act
(c) The board of a public college under the Colleges Act
(d) The Governors of the Banff Centre for Continuing Education
(e) The board of a technical institute under the Technical Institutes Act
(f) The interim governing authority of a technical institute under the Technical Institutes Act
(g) The Alberta Heritage Foundation for Medical Research
(h) The board of management of a Provincial General Hospital under the Provincial General Hospitals Act
(i) A mental health hospital board under the Mental Health Act
(j) The Provincial Cancer Board, and
(k) The University Hospitals Board under the University of Alberta Hospitals Act

**(b) Method of consolidation**

The accounts of revolving funds, regulated funds, Provincial corporations, except those designated as commercial enterprises, and Provincial committees are consolidated after adjusting them to a basis consistent with the accounting policies described below in (c).

Inter fund, corporation and committee revenue and expenditure transactions, financing transactions and related asset and liability accounts have been eliminated.

The accounts of commercial enterprises are recorded on an equity basis, the equity being computed in accordance with generally accepted accounting practices applicable to those enterprises.

The reporting period of eight of the Provincial corporations is for the year ended December 31, 1985. Where the transactions of those corporations significantly affect the consolidation, they have been restated to March 31, 1986.

**(c) Basis of financial reporting**

*Revenues*

Revenues are reported on an accrual basis except for net personal and corporate income taxes which are reported on a cash basis. Non-renewable resource revenue includes an estimate of revenue receivable from certain categories of resource royalty payors as well as various adjustments applicable to prior years. As the need for adjustment of this revenue is identified in future years, the adjustment will be reflected in revenue of those years.

*Expenditures*

Expenditures represent the cost of goods and services acquired during the year and expenditures made or accrued in accordance with the conditions of approved grant programs, including capital acquisitions, expenditures on capital programs and grants for capital purposes.

Pension costs are reported on a current contributions basis and no provision is made for actuarial estimates of additional annual costs.

No provision is made for accrued employee vacation entitlements, sick leave and long term disability benefits.

*Reported Assets and Liabilities*

Reported assets are limited to financial claims on outside organizations and individuals and real estate held for rental and resale at March 31, 1986. Because income taxes are reported on a cash basis, net personal and corporate income taxes receivable are not reported.

Liabilities include all financial claims payable by the Province at March 31, 1986. No provision is made for actuarial estimates of liabilities in respect of the present or future benefits payable under Pension Plan Acts with benefits directly chargeable to or guaranteed by the Province, other than the amount of $3,010,701,000 (1985 — $2,563,435,000) included in restricted profits and equity (see below). No provision is made for accrued employee vacation entitlements, sick leave and long term disability benefits, amounts payable under the Alberta Income Tax Act, the Alberta Corporate Income Tax Act, commitments under construction or other contracts and agreements at the year end, including capital equipment leases.

Marketable securities are temporary investments; they are valued at cost or market value, whichever is lower, on an aggregate basis.

Portfolio investments are investments that are required to meet specific future obligations or to provide income over a long period.

Bonds, bond coupons and residuals, mid-term money market securities and mortgages included in portfolio investments are carried at cost adjusted for deferred unamortized realized gains and losses. Realized gains and losses on disposals of these investments are considered to be an adjustment of future portfolio yield and are deferred and amortized on a straight line basis over the lesser of the remaining term to maturity of the investment disposed of or ten years.

Common shares, preferred shares, warrants, pooled equity trust units and real estate and energy fund units included in portfolio investments are carried at cost. Real estate is carried at the lower of cost and appraised value. Realized gains and losses on disposals of these investments are included in the determination of net expenditure.

Long-term investments are those that are intended to be held as long term assets; they are recorded at cost.

Where there has been a loss in value of an investment that is other than a temporary decline, the investment is written down to recognize the loss. The written down value is deemed to be the new cost.

Real estate held for rental and resale is valued at the lower of cost and net realizable value.

Debentures included in unmatured debt are recorded at face amount of the issue plus a provision for exchange on debt payable in United States funds at the March 31 rate of exchange, less sinking fund assets. Sinking fund investments are carried on the same valuation basis as portfolio investments, at cost or adjusted cost. Treasury bills and promissory notes are recorded at issue principal less unamortized discount, where applicable.

Restricted profits and equity refers to the profits and equity of a Provincial corporation and a regulated fund included in the consolidated financial statements which are restricted by legislation and are therefore excluded from net assets of the Province.

Cash, term deposits, accounts receivable, accounts payable and debenture debt denominated in foreign currency are translated at the rate of exchange in effect at the balance sheet date. Investments and revenue items are translated at historical exchange rates.

Gains and losses arising from the translation of foreign currencies are included in the determination of net expenditure except that unrealized exchange gains or losses relating to hedged monetary assets are deferred, and unrealized exchange gains and losses on forward exchange contracts which do not serve to hedge monetary assets are deferred and amortized over the term of the contracts. Amounts deferred are included in accounts payable.

Consistent with the reporting of capital acquisitions as expenditure, fixed assets are not reported.

**Note 2**
**Changes in Accounting Policy and Reporting Practice**

Investments in real estate included in portfolio investments are now carried at the lower of cost and appraised value. Previously, these investments were carried at cost less amortization. This change in accounting policy has been applied retroactively and accordingly the financial statements for the year ended March 31, 1985 have been restated. As a result of this change in accounting policy, restricted profits and equity at March 31, 1985 have been adjusted for the cumulative effect of applying retroactively the change in accounting policy by $769,000. This accounting policy change has no effect on the consolidated net revenue for the year ended March 31, 1985.

Additional adjustments of $938,000 were made to decrease net assets at March 31, 1985 as a result of other changes in accounting policy made in the accounts of entities included in these financial statements.

**Note 3**
**Pension Liabilities and Commitments**

The Pension Fund is a regulated fund established for the purpose of assisting the Government to meet its liability under guarantees of pensions under the six pension plans administered by the Government. The Pension Fund balance in restricted profits and equity at March 31, 1986 amounted to $3,010,701,000 (1985 — $2,563,435,000).

Actuarial valuations of these pension plans were carried out at March 31, 1985 and estimated accrued liabilities were as undernoted.

| | |
|---|---|
| Local Authorities Pension Act | $2,684,007,000 |
| M.L.A. Pension Act | 30,215,000 |
| Public Service Management Pension Act | 904,734,000 |
| Public Service Pension Act | 1,654,033,000 |
| Special Forces Pension Act | 389,281,000 |
| Universities Academic Pension Act | 780,944,000 |
| Total liability | 6,443,214,000 |
| Less Pension Fund balance included in restricted profits and equity at March 31, 1985 | 2,563,435,000 |
| Unfunded accrued liability | $3,879,779,000 |

The above figures were estimated by calculating the present value, at March 31, 1985, of benefits that accrued in respect of service to that date. The valuations were based on a common set of economic assumptions, including rate of salary increases due to inflation, interest rates and rates of discretionary cost of living increases for present and future retired members. Some of the demographic assumptions used in estimating the above liabilities, including termination, retirement, and salary increases due to promotion and merit, varied from plan to plan according to the particular characteristics of each plan.

Under provisions of the Teachers' Retirement Fund Act, payment of all benefits is guaranteed by the Province of Alberta. An actuarial

valuation at August 31, 1983 indicated that Teachers' Retirement Fund assets were insufficient by an amount of approximately $1,332,500,000 to meet the liabilities of the fund. The actuarial valuation was based on a different set of assumptions to those used for the above Pension Acts. When preparing the 1983 valuation, the consulting actuary estimated that the unfunded accrued liability would amount to approximately $1,620,000,000 at March 31, 1986 (1985 — $1,480,000,000).

**Note 4**
**Contingent Liabilities**

The Province has a contingent liability in respect of a statement of claim issued on February 19, 1982. The plaintiffs are the members of the Lubicon Lake Band and the Cree Community of Little Buffalo Lake. The defendants are the Province of Alberta and a number of oil companies. The plaintiffs claim entitlement to at least 60 square miles of land in Northwestern Alberta as a reserve. They are also claiming $700,000,000 in lieu of royalties and revenues, or alternatively a reserve of 60 square miles including mines and minerals together with $200,000,000 damages, and interest on all amounts.

The Province has a contingent liability in respect of a statement of claim filed by eight Metis Settlement Associations. On February 2, 1977 it was contended that the Province had received approximately $30,000,000 from the sale, lease or rental, royalties and fees from the petroleum and natural gas rights on certain lands and that the Associations were entitled to the aforesaid monies as well as all monies thereafter accruing from these petroleum and natural gas rights.

The Province also has a contingent liability in respect of four other native land or mineral rights claims in which the amounts claimed are unspecified.

At March 31, 1986 the Province was named as defendant in various legal actions in addition to those noted above. The total claimed in specific legal actions amounts to approximately $160,225,000. Potential claims amount to approximately $6,269,000.

The resulting loss, if any, from these claims and potential claims cannot be determined.

The Province has a contingent liability to return to Indian Bands its share of oil export tax relating to the period October 1, 1973 to March 31, 1974 in respect of oil production from Indian lands. The Province is committed to return its share of oil export tax, which amounts to approximately $4,650,000, if the federal government makes a similar decision in respect of its share.

On April 24, 1985 representatives of the City of Edmonton and the Government of Alberta signed a Memorandum of Understanding which established an Arbitration Committee to hold hearings to "develop or select a practical toll sharing formula for the sharing of toll revenues generated in the City of Edmonton". The probable outcome of these hearings is not determinable at this time.

Details of guarantees are shown in Schedule 11.

No provision has been made in the consolidated financial statements for contingent liabilities resulting from litigation and guarantees.

**Note 5**
**Contingent Assets**

The Province has a contingent asset of $21,792,000 at March 31, 1986 in respect of deductions made under section 20 of the Canada Health Act by the Government of Canada from payments to the Province as financial penalties for extra billing by medical practitioners or dentists, and hospital admission charges. The amounts deducted are recoverable by the Province of Alberta if, in the opinion of the Federal Minister responsible for the Canada Health Act, extra billing or user charges are eliminated on or before March 31, 1987. Extra billing was eliminated pursuant to section 5.2 of the Alberta Health Care Insurance Amendment Act, 1986 which came into force on October 1, 1986 and hospital admission charges were eliminated by regulation on the same date. Any amounts recovered will be accounted for as income of the period in which the recoveries occur.

**Note 6**
**Segmented Information**

Segmented information on net revenue (expenditure) is as follows:

| | 1986 | 1985 |
|---|---|---|
| General Revenue Fund | $ (458,201,000) | $1,043,350,000 |
| Alberta Heritage Savings Trust Fund | 424,375,000 | 481,182,000 |
| Other regulated funds | (3,735,000) | 22,999,000 |
| Provincial agencies | 48,536,000 | (362,405,000) |
| Commercial enterprises | (51,606,000) | 60,880,000 |
| | $ (40,631,000) | $1,246,006,000 |

The above figures are before elimination of inter-entity transactions but after adjustments necessary to bring the reporting entities to the same basis of accounting as described in Note 1(c).

**Note 7**
**Comparative Figures**

The 1985 figures have been restated where necessary to conform to the 1986 presentation.

## Schedule 1
## Cash and Marketable Securities

| | In thousands | | | |
|---|---|---|---|---|
| | 1986 | | 1985 | |
| | Book Value | Market Value | Book Value | Market Value |
| Bonds: | | | | |
| Government of Canada, direct and guaranteed | $ 35,767 | $ 36,436 | $ 171,351 | $ 147,463 |
| Provincial, direct and guaranteed | 65,260 | 63,829 | 170,557 | 143,344 |
| Board of Governors of the University of Alberta | 5,047 | 5,070 | 5,097 | 4,879 |
| Municipalities, school and hospital boards | 3,077 | 2,613 | 3,718 | 2,717 |
| Corporate | 8,932 | 8,898 | 10,917 | 9,386 |
| Government of the United States of America, direct | — | — | 2,481 | 2,480 |
| Bond coupons and residuals: | | | | |
| Government of Canada, direct | 74,196 | 74,156 | 12,369 | 12,202 |
| Mid-term money market securities: | | | | |
| Promissory notes | 21,970 | 21,952 | 43,690 | 42,410 |
| Certificates of deposit and guaranteed investment certificates | 3,000 | 3,035 | 20,400 | 20,320 |
| Mortgages | 9,183 | 10,112 | 10,966 | 10,707 |
| Common shares | 5,169 | 5,166 | 327 | 87 |
| | 231,601 | 231,267 | 451,873 | 395,995 |
| Short-term money market securities (a): | | | | |
| Treasury bills | 1,366,322 | 1,366,322 | 662,235 | 662,235 |
| Promissory notes | 264,799 | 264,799 | 237,118 | 237,118 |
| Deposit receipts | 234,378 | 234,378 | 318,943 | 318,943 |
| Bankers' acceptances | 189,099 | 189,099 | 280,859 | 280,859 |
| Certificates of deposit and guaranteed investment certificates | 151,312 | 151,312 | 54,734 | 54,734 |
| Bearer deposit notes | 85,239 | 85,239 | 244,695 | 244,695 |
| Call loans | — | — | 80,000 | 80,000 |
| Other | — | — | 199 | 199 |
| | 2,291,149 | 2,291,149 | 1,878,783 | 1,878,783 |
| Cash: | | | | |
| Cash in bank and in transit | (48,902) | (48,902) | 107,653 | 107,653 |
| Deposits in the Consolidated Cash Investment Trust Fund | 872,112 | 872,112 | 761,665 | 761,665 |
| | 823,210 | 823,210 | 869,318 | 869,318 |
| | $3,345,960 | $3,345,626 | $3,199,974 | $3,144,096 |

(a) The market value of short-term money market securities is estimated to approximate cost.

## Schedule 2
## Portfolio Investments

| | In thousands | | | |
|---|---|---|---|---|
| | 1986 | | 1985 | |
| | Book Value | Market Value | Book Value | Market Value |
| Bonds: | | | | |
| Government of Canada, direct and guaranteed | $1,527,448 | $1,731,069 | $1,294,074 | $1,341,779 |
| Provincial, direct and guaranteed | 1,984,893 | 2,195,592 | 1,952,576 | 1,937,115 |
| Municipal | 460 | 497 | 460 | 503 |
| Corporate | 284,661 | 298,071 | 275,610 | 267,098 |
| Corporate, convertible | 31,670 | 31,464 | 24,473 | 25,769 |
| Government of the United States of America, direct | — | — | 13,670 | 12,400 |
| Mid-term money market securities: | | | | |
| Promissory notes | 68,719 | 76,087 | 116,390 | 121,813 |
| Certificates of deposit and guaranteed investment certificates | 3,517 | 3,581 | 66,565 | 66,921 |
| Mortgages | 74,620 | 89,770 | 75,838 | 82,976 |
| Bond coupons and residuals: | | | | |
| Government of Canada, direct | 284,013 | 296,507 | 204,110 | 200,516 |
| Deferred unamortized realized gains and losses | (36,139) | — | (26,516) | — |
| | 4,223,862 | 4,722,638 | 3,997,250 | 4,056,890 |
| Common shares, preferred shares, warrants and pooled equity trust units | 876,948 | 1,336,209 | 758,521 | 976,707 |
| Real estate | 81,626 | 81,626 | 52,936 | 52,936 |
| Real estate and energy fund units | 1,418 | 1,413 | 8,263 | 9,161 |
| | $5,183,854 | $6,141,886 | $4,816,970 | $5,095,694 |

**Schedule 3**
**Long-Term Investments**

| | In thousands | |
|---|---|---|
| | 1986 | 1985 |
| Corporate debentures: | | |
| Vencap Equities Alberta Ltd., participating debenture | $199,998 | $199,999 |
| General Systems Research Ltd., non-interest bearing participating debenture | 2,500 | 2,500 |
| Ridley Grain Ltd., non-interest bearing participating series A debenture | — | 125,170 |
| Preferred shares: | | |
| Sturdi-Wood Inc. Class B | 4,600 | — |
| Global Thermoelectric Power Systems Ltd. | 3,809 | 2,934 |
| Chembiomed Ltd. | 3,369 | 3,369 |
| Native Venture Capital Co. Ltd., Class A | 1,980 | 1,980 |
| Myrias Research Corporation | 1,578 | — |
| Norstar Instruments Ltd., series A | 600 | — |
| Common shares: | | |
| Alberta Energy Company Ltd. | 55,708 | 76,759 |
| Pacific Western Airlines Corporation | 2,734 | 4,285 |
| Native Venture Capital Co. Ltd., Class A | 10 | 10 |
| Native Venture Capital Co. Ltd., Class B | 10 | 10 |
| Venture equity: | | |
| Participation in Syncrude Project | 458,595 | 439,035 |
| | $735,491 | $856,051 |

**Schedule 4**
**Equity in Commercial Enterprises**

| | In thousands | |
|---|---|---|
| | 1986 | 1985 |
| The Alberta Government Telephones Commission | $1,607,169 | $1,704,041 |
| Alberta Liquor Control Board | 151,225 | 136,648 |
| Alberta Intermodal Services Ltd. | 20,378 | — |
| Alberta Terminals Ltd. | 19,709 | 18,790 |
| The Alberta General Insurance Company | (93) | (184) |
| Treasury Branches Deposits Fund | (112,189) | (18,138) |
| The Workers' Compensation Board | (146,283) | (133,789) |
| | $1,539,916 | $1,707,368 |

**Schedule 5**
**Loans and Advances**

| | In thousands | |
|---|---|---|
| | 1986 | 1985 |
| Loans and advances made under the authority of: | | |
| Alberta Municipal Financing Corporation Act | $4,966,577 | $4,987,792 |
| Alberta Mortgage and Housing Corporation Act | 2,467,718 | 2,648,685 |
| Agricultural Development Act | 1,011,988 | 957,907 |
| Alberta Opportunity Fund Act | 146,992 | 159,618 |
| Credit Union Act | 93,107 | — |
| Rural Electrification Revolving Fund Act and Rural Electrification Long Term Financing Act | 52,823 | 46,957 |
| Financial Administration Act | 34,826 | 30,353 |
| Municipal Land Loans Act | 14,523 | 15,881 |
| Department of Transportation Act | 3,667 | 3,753 |
| Hail and Crop Insurance Act | 2,627 | 3,622 |
| Motion Picture Development Act | 2,192 | 1,443 |
| Students Finance Act | 273 | 297 |
| Cemeteries Act | 85 | 85 |
| Historical Resources Act | 28 | 51 |
| Public Trustee Act | 24 | 24 |
| Homestead Lease Loan Act | 4 | 6 |
| Department of Public Works, Supply and Services Act | — | 818 |
| Cancer Treatment and Prevention Act | — | 451 |
| Recreation, Parks and Wildlife Foundation Act | — | 35 |
| Miscellaneous | 3 | 3 |
| | 8,797,457 | 8,857,781 |
| Implemented guarantees made under the authority of: | | |
| Students Finance Act | 11,725 | 9,104 |
| Agricultural Development Act | 8,766 | 9,141 |
| Department of Agriculture Act | 2,184 | 1,474 |
| Feeder Associations Guarantee Act | 772 | 848 |
| Agricultural Societies Act | 212 | 242 |
| Co-operative Marketing Associations and Rural Utilities Guarantee Act | 19 | 138 |
| | 23,678 | 20,947 |
| Judgement debts | 939 | 1,268 |
| | 8,822,074 | 8,879,996 |
| Less allowance for doubtful loans, advances, implemented guarantees and judgement debts | 486,643 | 410,363 |
| | $8,335,431 | $8,469,633 |

## Schedule 6
## Unmatured Debt

| | In thousands | |
|---|---|---|
| | 1986 | 1985 |
| Net debt issued by: | | |
| Alberta Municipal Financing Corporation | $2,994,154 | $2,862,910 |
| Alberta Mortgage and Housing Corporation | 141,702 | 150,270 |
| General Revenue Fund | 68,627 | 309,365 |
| Alberta Provincial Corporation Loan Fund | 1,700 | 333,238 |
| Alberta Resources Railway Corporation | (31,026) | (21,973) |
| | $3,175,157 | $3,633,810 |

## Schedule 7
## Restricted Profits and Equity

| | In thousands | |
|---|---|---|
| | 1986 | 1985 |
| Profits and equity restricted by: | | |
| Pension Fund Act: | | |
| Equity (a) | $3,010,701 | $2,563,435 |
| Alberta Municipal Financing Corporation Act: | | |
| Profits (b) | 431,329 | 352,250 |
| Equity (c) | 18 | 18 |
| | $3,442,048 | $2,915,703 |

(a) Represents partial funding of liabilities under the Local Authorities Pension Plan Act, Members of the Legislative Assembly Pension Plan Act, Public Service Management Pension Plan Act, Public Service Pension Plan Act, Special Forces Pension Plan Act and Universities Academic Pension Plan Act. Details of the most recent actuarial valuations of the total liability of the Province under the six pension plans are provided in Note 3.

(b) Refers to a portion of Alberta Municipal Financing Corporation's shareholders' equity which is excluded from net assets of the Province. Under the Alberta Municipal Financing Corporation Act, the Alberta Municipal Financing Corporation has "the power to pay from time to time, as a rebate of interest, any profits of the corporation to shareholders of the corporation that have borrowed moneys from the corporation or sold debentures of their own issue to the corporation, proportionately as such shareholders made use of the facilities of the corporation over the period in which any such profits were derived".

(c) Represents the cost of common shares held by municipalities, counties, cities, towns, school districts and divisions and hospital boards.

**Schedule 8**
**Revenue**

| | In thousands 1986 | 1985 |
|---|---|---|
| Taxes: | | |
| Personal income tax | $ 1,521,228 | $ 1,456,652 |
| Corporate income tax | 711,162 | 762,099 |
| Other | 619,369 | 565,911 |
| | 2,851,759 | 2,784,662 |
| Non-Renewable Resource Revenue: | | |
| Royalties, rentals and fees, bonuses and sales of Crown leases | 5,387,005 | 5,752,951 |
| Exploratory drilling and geophysical incentive credits | (44,192) | (127,992) |
| Royalty tax credit | (410,779) | (395,868) |
| | 4,932,034 | 5,229,091 |
| Payments from Government of Canada: | | |
| Canada assistance plan | 379,961 | 341,334 |
| Hospital insurance | 362,374 | 354,724 |
| Utility companies income tax transfers | 215,974 | 193,795 |
| Post secondary education | 206,032 | 201,264 |
| Crop insurance and reinsurance | 177,292 | 57,810 |
| Health care insurance | 116,186 | 114,881 |
| Extended health care | 98,970 | 94,361 |
| Oil export charge | 78,354 | 194,573 |
| Other | 106,905 | 93,841 |
| | 1,742,048 | 1,646,583 |
| Fees, Permits and Licences | 586,719 | 512,514 |
| Trading Profits | 276,032 | 369,480 |
| Investment Income | 2,160,661 | 2,042,108 |
| Other | 208,195 | 201,386 |
| | $12,757,448 | $12,785,824 |

**Schedule 9**
**Expenditure by Object**

| | In thousands 1986 | 1985 |
|---|---|---|
| Salaries, wages, employment contracts and benefits | $ 1,336,561 | $ 1,264,815 |
| Travel and communication | 158,277 | 142,060 |
| Services | 1,263,547 | 1,140,845 |
| Materials and supplies | 327,584 | 260,938 |
| Grants to individuals, business and other levels of government | 8,666,213 | 7,709,633 |
| Purchase of fixed assets | 202,716 | 163,986 |
| Interest | 467,400 | 502,114 |
| Valuation adjustments | 357,725 | 331,345 |
| Other expenses | 18,056 | 24,082 |
| | $12,798,079 | $11,539,818 |

## Schedule 10
## Operating and Capital Expenditure by Major Function

In thousands

| | Expenditure | | | |
|---|---|---|---|---|
| | Operating | Capital | Grants for Capital Purposes | Total |
| Health: | | | | |
| 1986 | $ 2,661,518 | $ 131,127 | $187,835 | $ 2,980,480 |
| 1985 | 2,444,844 | 62,758 | 223,489 | 2,731,091 |
| Education: | | | | |
| 1986 | 2,348,659 | 13,831 | 184,950 | 2,547,440 |
| 1985 | 2,164,124 | 13,116 | 207,355 | 2,384,595 |
| Social Services: | | | | |
| 1986 | 1,178,391 | 1,616 | 147 | 1,180,154 |
| 1985 | 1,049,269 | 1,445 | 607 | 1,051,321 |
| Regional Planning and Development: | | | | |
| 1986 | 718,805 | 5,472 | — | 724,277 |
| 1985 | 664,661 | 35,703 | — | 700,364 |
| Housing: | | | | |
| 1986 | 60,861 | 41,772 | — | 102,633 |
| 1985 | 112,710 | 34,723 | — | 147,433 |
| Recreation and Culture: | | | | |
| 1986 | 144,151 | 52,983 | 38,670 | 235,804 |
| 1985 | 113,614 | 58,378 | 54,556 | 226,548 |
| Environment: | | | | |
| 1986 | 64,110 | 93,604 | 11,171 | 168,885 |
| 1985 | 61,062 | 78,938 | 6,944 | 146,944 |
| Resource Conservation and Industrial Development: | | | | |
| 1986 | 1,837,532 | 88,747 | 8,177 | 1,934,456 |
| 1985 | 1,357,235 | 59,207 | 6,864 | 1,423,306 |
| Transportation and Utilities: | | | | |
| 1986 | 702,201 | 559,121 | 234,978 | 1,496,300 |
| 1985 | 633,157 | 474,635 | 240,592 | 1,348,384 |
| Protection of Persons and Property: | | | | |
| 1986 | 404,131 | 5,073 | 3,141 | 412,345 |
| 1985 | 380,036 | 4,549 | 3,311 | 387,896 |
| General Government: | | | | |
| 1986 | 431,110 | 226,470 | — | 657,580 |
| 1985 | 471,206 | 189,385 | — | 660,591 |
| Valuation Adjustments: | | | | |
| 1986 | 357,725 | — | — | 357,725 |
| 1985 | 331,345 | — | — | 331,345 |
| Total Expenditure: | | | | |
| 1986 | $10,909,194 | $1,219,816 | $669,069 | $12,798,079 |
| 1985 | $ 9,783,263 | $1,012,837 | $743,718 | $11,539,818 |

**Schedule 11**
**Guarantees**

| | 1986 | 1985 |
|---|---|---|
| Debentures: | | |
| AEC Power Ltd. | $210,139 | $220,700 |
| Vencap Equities Alberta Ltd. | 40,000 | 40,000 |
| | 250,139 | 260,700 |
| Bank and Credit Union Loans: | | |
| Corporations and individuals under various government programs | 250,171 | 231,506 |
| Other: | | |
| Federal loans | 17,484 | 17,935 |
| Mortgage loans | 9,185 | 9,334 |
| | 26,669 | 27,269 |
| Total | $526,979 | $519,475 |